

ENTERPRISE AND CULTURE COMMITTEE

Tuesday 12 April 2005

Session 2

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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)
Mike Pringle (Edinburgh South) (LD)

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Mark Ballard (Lothians) (Green)
Fiona Hyslop (Lothians) (SNP)
Margaret Jamieson (Kilmarnock and Loudoun) (Lab)
George Lyon (Argyll and Bute) (LD)
Mr Brian Monteith (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING GAVE EVIDENCE:

Professor Donald MacRae (Lloyds TSB Scotland)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Douglas Thornton

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 6

Scottish Parliament

Enterprise and Culture Committee

Tuesday 12 April 2005

[THE CONVENER *opened the meeting at 14:03*]

Business Growth Inquiry

The Convener (Alex Neil): I welcome everyone to the ninth meeting in 2005 of the Enterprise and Culture Committee. First, I will deal with some housekeeping issues. I ask everyone to switch off their mobile phones. We have received apologies from Mike Pringle and Murdo Fraser; Murdo will be joining us later, but Mike cannot make it at all today.

Item 1 on the agenda is our inquiry into business growth. I welcome Donald MacRae, who is chief economist with Lloyds TSB Scotland and whose face is well known in the Parliament. Given that today's open evidence session is the first of our inquiry, we thought that it would be a good idea to ask Donald MacRae to set the scene, as he is one of the foremost economists in Scotland. Once he has finished his presentation, I will allow the exchange to be as freewheeling as possible, so that members can ask questions about both what he has said and what he has not said.

Professor Donald MacRae (Lloyds TSB Scotland): Good afternoon, ladies and gentlemen. I am delighted to have been asked to speak to you this afternoon. Before I start, I put on the record the fact that, although I have been a director of Scottish Enterprise since July of last year, I am speaking to the committee today as Lloyds TSB Scotland's chief economist.

The subject of the committee's inquiry is close to my heart. It affects everyone in Scotland, including everyone in this room. I will attempt to complete my presentation in about 15 minutes. There are colour copies of all my slides, in case members cannot see them on the monitor. I intend to start by discussing where we are now. I will benchmark our economy against the economies of some of the countries in the Organisation for Economic Co-operation and Development and those of other parts of the United Kingdom. I will go on to consider the five factors that affect productivity, which of course has a strong link to growth, and to assess where we are in that regard. In the final—and probably the most important—part of my presentation, I will draw out some lessons for the future. As the important topic of Scottish football is a later item on the committee's agenda, I will try to keep within the timescale.

My first slide uses the latest data available to illustrate 12 key benchmark measures. It compares the position in Scotland mainly with that in OECD countries, but also with that in other parts of the UK. Our performance is shown in quartiles. That means that the performances of all the countries have been ranked from top to bottom and that of Scotland has been put into the top, the second top, the second bottom or the bottom quartile. As you can see, there are two green bars, which means that Scotland is in the top quartile for those two measures. There are two yellow bars, which means that we are in the second top quartile for another two measures. The bars that represent our performance under the remaining eight measures are red. That means, regrettably, that we are in the third quartile in all those areas.

The green bars are for the percentage of employers who export and the percentage of people in employment who undertake training. The yellow bars relate to the number of graduates as a percentage of the workforce and the employment rate. I should point out that it is positive that our performance is in the bottom quartile under none of the measures used, but the fact that we have eight red bars means that we are in the third quartile for eight—three quarters—of the major measures. The challenge is to move us out of the third and second quartiles so that we can achieve a green bar rather than a red or a yellow bar.

I will examine one of the measures on the first slide—gross domestic product per head of population—in more detail. The second slide deals with that. Overall, GDP per capita is acknowledged to be the best measure of income. Again, the latest data have been used. Scotland is compared with 29 OECD countries. The slide is entitled “GDP per Capita—2002 PPPs”, which means that the data shown have been adjusted for currency valuation effects.

The first point to note is that small countries are among the top performers, which appear on the left-hand side of the slide. In other words, being small is not an impediment to achieving a high GDP per head. To use a football metaphor, regrettably Scotland is towards the bottom of the second division in that regard. It is true that its figure is above the OECD average, but the inclusion of countries such as the Slovak Republic, Poland and Turkey—which appear on the extreme right of the slide—means that the OECD average has been brought down to quite a low level. Although Scotland's GDP per head of population is above the OECD average, we could do a lot better.

The reason for our position is years of low growth. The next slide compares economic performance in various countries over about 30 years, from 1973 to 2001. Scotland is not just near

the bottom of the chart; it is at the bottom. On the extreme left of the slide, Ireland has a pretty impressive Celtic-tiger performance. I should stress that the figures that have been used are overall GDP figures—they are not GDP per head figures. I point that out because in a country that has a population that is static or is falling, as Scotland does, if the GDP is divided by that static or falling number, the GDP per head figure looks a bit better. Had I instead chosen to show GDP per head, Scotland's position would look a bit better than the slide suggests. However, it would not be a lot better, as Scotland would still be sixth from the bottom in a table of 20. Given that Scotland's GDP growth has been low over a long period, one might say that the Scottish economy is a serial underperformer.

The next slide moves on from that high-level look at our performance to the factors that influence productivity, which is a key factor behind growth. Productivity is the amount of economic output per unit of input. The slide lists five factors: human capital, which includes numbers of people and their skills; physical capital, which is represented by the amount of investment per worker; innovation, which I will discuss in more detail in a minute; enterprise; and competitiveness. In passing, I should point out that we invest less per worker than most of our competitors, but I will not say any more about that issue because I think that we can do more to influence some of the other factors.

The next slide—"Population Trends: Scotland and UK, 1951-2011"—deals with the first factor, which is human capital. The slide projects that Scotland's share of the UK population will continue to decline, which implies a declining share of the UK economy.

Why is our population so static? The main reason is shown on the next slide, which shows our falling birth rate. Scotland is represented by the dark blue bar, which shows that, in 2001, women in Scotland on average had 1.50 children. The slide compares Scotland's fertility rate with that of 13 other European countries. However, even Ireland, which is at the top of the table, has a fertility rate of only 1.9, which is below the normal replacement rate of 2.0. Indeed, Japan's fertility rate, which is not shown on the slide, is 1.29, which is lower than Scotland's. However, Scotland's low birth rate is a major reason for its static population figure.

The other reason for the population issue is shown on the next slide, which has a bar chart that shows the effect of migration on Scotland's population. The second bar from the left, which shows a large positive figure, reflects the fact that people between the ages of 15 and 19 migrate to Scotland. That is a result of the success of our

university sector, which attracts many people here, mainly from other parts of the UK. Regrettably, the bars representing subsequent age groups—people between the ages of 20 and 24 and between 25 and 29—show that many people leave Scotland after they have gained their qualification.

As we move along the bar chart to the right—to the upper age groups—we see that there is a small net inflow in the 55 to 59, 60 to 64 and 65 and over age groups. Although those inflows are welcome, they add to the dependency ratio in the wrong way. Finally, I should point out that Scotland does not get its fair share of the immigrants to the UK. However, the slide is designed to show the particular age groups whose outward migration is a concern. The fact that our population numbers are static or declining is, I believe, the most important issue that Scotland faces. If it were not strongly linked to our economic performance, I would not mention it here.

How we compare with others on productivity is shown in the next slide—"GDP per Hour Worked 2001"—which shows a bar chart in which Scotland's performance is compared with five other countries. The UK's performance is the index, which is set at 100. As you can see, Scotland's performance is 95.7, so there is a distinct productivity gap. There is no evidence that the gap is closing. Although the UK's productivity is slightly better than Scotland's, it lags behind that of France, the United States and Germany.

Human capital is about not just numbers of people but skills. The next slide attempts to summarise how well Scotland is doing on skills and learning. The chart shows five key measures, on three of which Scotland's performance is compared to that of OECD countries and on two of which it is compared to that of the UK as a whole. The results are shown in quartiles. Scotland is in the top quartile for the third measure, which is the percentage of 20 to 24-year-olds with at least a national vocational qualification at level 3. We are in the second quartile for a further three of the measures listed, but we do not perform terribly well on one measure—it is circled in red—which is the percentage of 16 to 19-year-olds who are not in employment, education or training, or NEET. In other words, there is a high level of youth unemployment compared with levels in other countries. That is a particular issue.

14:15

Allocating resources to skills and learning would not be at the top of my list, as we are doing quite well with those—I make a point of saying that. The slide shows that we are in the third quartile in only one of the areas. I do not necessarily believe that devoting a huge increase in resources to skills and learning is required, although our workforce's skill level is obviously all-important.

Innovation is another factor that affects productivity. The next slide shows business research and development expenditure as a percentage of output for a number of years. Scotland is again near the bottom. I mention the issue because there is a link from R and D expenditure to innovation, from innovation to productivity and from productivity to GDP growth. Scotland's expenditure on business R and D does not compare terribly well with that of other countries—it is quite low. If I had more time, I could show the committee quite a lot of evidence that demonstrates that high-growth economies have a higher level of R and D spend than Scotland has.

As for enterprise, the next slide shows how Scotland compares with other countries on new business activity—essentially, on the rate of formation or opening of new businesses. Again, we are in the bottom third—we are below the UK and well below Ireland. The figures are taken from the Global Entrepreneurship Monitor's annual publication about, among other things, the Scottish economy.

Scotland would have been a Celtic tiger long ago if achieving a high growth rate was down to Government spending. The next slide shows aggregate Government expenditure as a percentage share of GDP from 1978-79 all the way through to the latest data, which is for the fiscal year 2002-03. That is a period of 25 years. Scotland's share is shown in blue and the UK's share is shown in red. Scotland consistently has a 10 percentage point higher share and the little circle on the right of the slide shows that the share has increased in recent years. The balance is not correct. I say categorically that I have absolutely nothing against the public sector—my wife works in it and I enjoy its benefits—but the balance is going the wrong way.

How does Scotland compare with other countries? The next slide shows the latest data. Aggregate Government expenditure as a percentage share of GDP for European countries for 2003 ranges from 35 per cent to 58 per cent. The latest official figure for Scotland, for 2002-03, is 50 per cent. I have taken the economy's rate of growth from 2002 to today, considered the expected budget spend for 2004, put the two together and come to a figure of 52 per cent for 2004. I stress that that is my estimate and is not sourced from the Scottish Executive's "Government Expenditure and Revenue in Scotland" publication, which is the source of the 2002-03 figure. My point is that the figure is rising and going the wrong way.

Let me summarise. There is no getting away from the fact that our performance has been poor—the evidence is before the committee. We

are losing human capital, our productivity is below the UK average and we must do much better in respect of the factors that influence productivity, such as R and D and innovation. We do relatively well with skills, but the overall balance of Government spending in the total economy is going the wrong way.

I will finish on an optimistic note, as I have probably sounded quite pessimistic in the past 15 minutes. Why am I optimistic? The Scottish economy has undergone tremendous change during the past few decades and has made a huge adjustment since the days of shipbuilding, coal and steel. We have the lowest unemployment for 30 years—I think everyone agrees that there is hidden unemployment, but on a claimant-count basis the figure is the lowest for 30 years. We have a good, well-educated and skilled workforce and a strong university sector and we are in some ways the natural home for R and D, which is being addressed by Scottish policy on intermediary technology institutes. Finally, the fact that we are a little country on the edge of Europe is certainly not the impediment to economic growth that it was in the past two centuries. We have all the benefits of modern technology and communications and there is no reason why our geographical position should be an impediment to growth. We have the potential for much greater performance; the challenge is how to unlock that potential.

The Convener: Thank you for an extremely helpful and interesting presentation. I have a technical question: am I right in saying that the oil sector is not included in Scottish GDP figures?

Professor MacRae: Yes.

The Convener: I do not underestimate the problems that you highlighted, but if 80 per cent of the oil sector were included, the figure for public spending as a percentage of GDP would fall substantially.

Professor MacRae: If we included the oil sector, the relative position on, for example, GDP per head would be higher. However, that would not change my overall message that the economy's performance could and should be much better.

The Convener: Absolutely, but I am considering the figures. It is suggested that it is a problem that 50 per cent of GDP is accounted for by public expenditure. It has always seemed crazy that the UK Government does not include at least a notional figure for oil, which would mean that public expenditure as a share of GDP would be much lower than 50 per cent.

Professor MacRae: You are right to say that the percentage would be lower. However, various academic studies considered the optimum level of Government spend as a percentage of the

economy and concluded that the percentage should be in the mid-30s to 40s. The inclusion of North sea oil would not bring down the figure to such levels.

The Convener: Some 47 per cent of Luxembourg's GDP is accounted for by the public sector, but the country has by far the highest GDP per head of any OECD country.

Professor MacRae: I caution against too much comparison with Luxembourg, given the country's peculiar—I should say “distinctive”—tax position.

The Convener: Is it fair to say that there is no proven correlation between GDP per head and the proportion of spend on the public sector? Some countries that have high public spending have among the highest rates of growth and GDP per head. Conversely, some countries that have among the lowest levels of public spending have some of the lowest rates of growth and GDP per head.

Professor MacRae: I can direct you to an academic paper on the subject that identifies a statistically sound association.

The Convener: It might be useful for the committee to see that paper.

Mike Watson (Glasgow Cathcart) (Lab): I agree with the convener that the presentation was interesting and informative. The slide on GDP per capita places Scotland, as Professor MacRae said,

“towards the bottom of the second division”,

but the slide entitled “GDP per Hour worked 2001” shows a slightly different position, with France at the top and Japan at the bottom. I presume that that is because fewer hours are worked per week in France, whereas Japan is known to have the highest working hours in the world. What does that slide tell us that the slide on GDP per capita does not tell us, other than that attitudes to the length of the working day vary significantly?

Professor MacRae: You are right to point that out. Productivity can be measured in a number of ways. I picked one way because I was restricted to 15 minutes. However, if we used total factor productivity, that would still show that productivity in Scotland is lower.

You are right to say that France comes out high because of the shorter working week. In France, people work fewer hours, so France's GDP per hour worked looks good. However, its capital investment per worker is also quite high—one tends to maximise the benefit of a limited resource. Even when we take into account all those factors—total factor productivity and the hours worked—we would still come to the conclusion that productivity in the UK and in

Scotland is lower than that of our major competitors. Do not take that on my authority; I can give you a quote from none other than HM Treasury, which said it a few years ago. If I remember correctly, the words were that we have a major productivity issue. Your point is absolutely valid.

Mike Watson: My second point relates to birth rate. A number of stories have circulated recently about Scotland's falling birth rate, but your slide shows a comparison with the UK birth rate and indicates, going back 50 years, that the issue is nothing new, in that Scotland's birth rate has tended to be at best steady. The birth rate has not grown, as far as I can see—it perhaps grew slightly between 1990 and 1995, from a low base. What is the effect of that low birth rate in comparison to the rest of the UK? How has that come about, other than owing to the point that you mentioned—that we do not get our share of immigration in Scotland per head?

Professor MacRae: Are you talking about the slide on population trends?

Mike Watson: I am. It shows population trends for the UK as a whole and those for Scotland. Another point is related to that, but I cannot find it in my papers, so I will come back to it. Why is Scotland's birth rate low and what effect does that have, given that the phenomenon is not new?

Professor MacRae: You say that the phenomenon is not new, but the birth rate has fallen recently. I may have some expertise as an economist, but I am not sure that I will be able to explain why Scotland's birth rate has fallen to a low level, although I have heard some explanations. I know that the statistics show that the age of mothers at the birth of their first child has gone up dramatically. That is perhaps a lifestyle choice. We might find another explanation if we asked how easy things are for working mothers. However, we should also consider the situation in some other northern European countries. For example, the slide entitled “Scotland's Birthrate in a European Context” indicates that even Sweden has a birth rate of only 1.57 children per woman, although it has more so-called working-mother-friendly policies.

Mike Watson: That is the other slide that I was looking for.

Professor MacRae: I do not have any proof of this, but I believe that there is something in the idea that we have to make it easier for mothers to have a child and carry on working. That must be part of the equation. Frankly, there must also be an economic choice: some people may decide that they are not going to have children. Those who do and later change their minds might find that they have perhaps done so a little bit too late. I hasten

to add that I do not consider myself to be a population expert, although I have heard those explanations being put forward.

It is intriguing that in all the countries that I have shown in the slide, as well as Japan and America, the birth rate of the indigenous non-new-immigrant population—I suppose we could say the population of traditional Anglo-Saxon or European origin—is very similar to the European birth rates. It is first-generation immigrants who have a higher birth rate.

I think that the phenomenon is perhaps greater than you think. The birth rate has recently gone down. Moreover, the issue is partly about economic choice, which is related to the perceived reward of working and having a family at the same time. I hasten to add, in case the committee wants to investigate me, that I am the father of two children, so I have done my bit.

Mike Watson: Thank you for that. I will not press you further on the subject. I hear what you have said about population issues. You mentioned a statistic in respect of the birth rate falling below 2.

14:30

Professor MacRae: That is the replacement rate.

Mike Watson: By that standard, surely the birth rate in every country that is listed in the paper is falling.

Professor MacRae: Yes, that is a fair point, which applies particularly to the smaller European countries.

Mike Watson: We hear stories that Scotland's population is falling. I take your point that it is falling fast.

Professor MacRae: We can say categorically that Scotland's birth rate is well down—it is below the average of other comparable countries. The problem is clearly seen if we link the issue with the issue of immigration. The issue of the falling birth rate disguises the economic problem. If a country has fewer people, it has fewer markets—a falling population is linked to the issue of lack of economic growth. The GDP per head figure disguises the problem a bit, as we are dividing the economic pie by a static number of people—the numbers are in even decline.

The Convener: All members want to ask questions. I will give preference to the one lady member by taking Christine May first, after which I will go round the table.

Christine May (Central Fife) (Lab): Thank you, convener. I thank Donald MacRae for his presentation, which was very interesting. I want to

expand on some of the points that he made. I found the comment about the slide on page 5 on skills and learning particularly interesting. Although we do not perform too well in respect of the NEET percentage, he does not see investment in skills and learning as being our highest priority. What aspects of training are priorities? I note that we do rather well in respect of the percentage of people who are in employment and who undertake training. Should that figure be sustained or even improved on?

Professor MacRae: I do not envisage that there would be a cutback in any of those areas. It is good to be able to present a slide that shows Scotland in the top quartile and the second-top quartile—that is remarkable and we should be proud of it.

There are two areas of concern for Scotland, the first of which is the number of young people who leave school without any qualifications at all. We have to address that issue. The second area is an interesting one. The member will be aware of Scottish Enterprise's statistically sound Futureskills report, which looked into what employers had to say. They were asked to make a prioritised list of the skills that they saw as lacking in applicants. Interestingly, employers' priorities were not computer literacy, numeracy and literacy but the social skills, group working and human-type skills, which are learned at a very early stage. Therefore, we get a lot more bang for our buck if we provide pre-school education. I am delighted to see the current support for a nursery school programme, but it should be expanded. That said, many of those skills are formed as a result of parental influence in the home.

Christine May: So you are thinking of something like sure start Scotland with its aim of working with parents and children?

Professor MacRae: Absolutely. I do not want to be too controversial. Our tertiary sector in Scotland—our university sector—does an extremely good job. However, if I were asked to consider the overall picture of skills and learning, I would not necessarily put more resource into that.

Christine May: That reflects some of the evidence that we heard in our university funding inquiry.

I turn to the slide that illustrates assumed annual long-term migration by age. Do you support the fresh talent initiative or something like it that keeps those who have come to Scotland to study in Scotland for as long as possible and encourages others to come to Scotland so that we get our share of immigration?

Professor MacRae: I am delighted that you mentioned that. I am a great supporter of the fresh talent initiative, but I want to make it fresh, fresh,

fresh talent. I honestly believe that the programme must change gear and be much more far-reaching—let us say that it needs to be boosted and that I would like to see much more effort in that area.

I do not want to venture into areas that are too controversial, but states in Canada, for example, have more powers over immigration policy than the Scottish Parliament apparently has.

Michael Matheson (Central Scotland) (SNP): I return to the issue that Alex Neil addressed in his first question: Government expenditure and your concerns about the balance between Government expenditure in Scotland and in the rest of the United Kingdom. Will you expand on exactly what impact you think having too high a level of Government expenditure in our economy—possibly more than 50 per cent—will have?

Professor MacRae: I can show you academic-type papers that show that, with a few exceptions, which the convener mentioned, there is a general association between lower Government spending as a percentage of GDP and higher growth in GDP per head, over a long period. That is not to say that Government spending is necessarily bad. I want to get that point across. I am not saying that it should be cut; I am saying that the balance is not correct. The direct effects can go all the way down to an individual taking a job in the public sector as opposed to one in the private sector. The productivity figures that we have show that we have more chance of influencing productivity in the private sector than in the public sector.

Michael Matheson: Would it be fair to say that, in the graph in which you highlight Government expenditure as a percentage share of GDP—

Professor MacRae: Do you mean the one showing the trend over the years?

Christine May: The one on aggregate Government expenditure.

Michael Matheson: No, the one after that, on page 7.

Would you expect the GDP output of countries that have a higher percentage of aggregate Government expenditure as a share of their GDP to be similar to Scotland's?

Professor MacRae: I can see where that question is leading. You are going to bring me back to the first chart, which shows that the performance of some of the countries with a higher percentage is better than Scotland's. Is that right?

Michael Matheson: Yes.

Professor MacRae: I have some ability to spot where you are going. The association, which I could have shown you if you had wanted, does

show a statistical situation, but it does not mean that everything follows a nice straight line. It suits some countries to have a higher level of Government expenditure as a percentage of GDP, and they can still achieve a respectable growth rate. I am not saying by any manner of means that a high figure in one will necessarily always lead to a lower figure in the other. All I am giving you is the benefit of looking at lots of countries over lots of years to say that there is a general pattern.

Michael Matheson: It has been suggested in some quarters that one of the major brakes on our economy's growth is the public sector drag. When we look at international comparisons of GDP growth and see a country such as Finland at 2.6 per cent while Scotland is at 1.6 per cent, although Finland's public sector percentage is higher than Scotland's, I cannot help but feel that if there is an impact, it is marginal rather than a major factor.

Professor MacRae: I am guilty of not explaining that. There are a number of factors that together will influence how well the economy performs. Finland, for example, has a much better record on R and D. Nokia alone spends more on R and D than does Scotland's entire private sector. Finland is doing many other things that we are not doing. It has an excellent record on health, for example. Scotland's public sector expends significantly more per head than do other parts of the UK, particularly on health, yet our health outcomes are not as good. I do not believe that there is not a very sound case for increasing productivity in the public sector in Scotland.

Richard Baker (North East Scotland) (Lab): I want to ask about the R and D figures on page 6. Has the trend of the 1990s continued in the years since 2000?

Professor MacRae: The Scottish Executive produces an annual report on business expenditure on R and D. The results for the past year are good, in the sense that expenditure has increased; however, it would have to increase by a huge amount to come up to the levels of expenditure in the USA and Germany.

I am prepared to accept that what I have described as the linkage between business R and D, innovation, productivity and growth is not 100 per cent firm. Like when I was asked about the correlation between GDP per head and public spending as a share of the economy, I cannot say that if one spends £1 here, one will get another thing out at the other end. There is not that kind of exact relationship, but there is much evidence to show that there is a link. It is important to note that, although Government expenditure on R and D in Scotland is quite high and compares well, business R and D expenditure is quite low.

Richard Baker: Can Government policy encourage business to spend on R and D?

Professor MacRae: There are various policies. There is a commendable scheme called R and D plus, which is designed to get medium-sized and large companies in Scotland to spend on R and D, and there is the large ITI programme that I mentioned earlier. The best way of describing that is as a proxy for corporate R and D expenditure for the whole of Scotland. If the business sector is not spending on R and D, ITIs are a way of encouraging or replacing that spending.

Richard Baker: So the strategy is in place. The challenge is to get business to buy into that strategy.

Professor MacRae: Indeed. As always, more could be done.

Richard Baker: My final question is on global challenges. The developing nations have huge universities and we have a massive output of graduates. There is a particular challenge for us because so much of our GDP is in the service sector, where there is more competition from those other places. Is the issue not just about growing business and growing our economy, but about responding to that challenge as well? What is the best way to go about that?

Professor MacRae: I am not sure what your question is.

Richard Baker: You said that we should be considering where we are on encouraging skills and a knowledge economy and workforce, as we are doing well at that and there is a lot of investment in that already. However, the evidence is that the rest of the world is catching up with us.

Professor MacRae: Oh, yes. In the States, spending on research and development does not falter even in recessions; remarkably, it carries on. We are also all aware that the Indian and Chinese economies are growing at 7, 8 or 9 per cent per annum, with the intellectual capital that has been built there. We cannot afford to let up on any of our policies. All that I am saying on skills is that there are other areas to which we need to pay a bit more attention.

Chris Ballance (South of Scotland) (Green): Good afternoon. Thanks for an interesting presentation. I have a supplementary question. The slide seems to show Scotland in the worst light, with business in Scotland spending only half the UK average on R and D. What do you think has gone wrong? Why has business R and D failed?

Professor MacRae: That is a tough question. First, we suffer from a structural effect, as we do not have a huge pharmaceutical industry in Scotland. The pharmaceutical industry in the UK accounts for quite a large share of the UK's R and D. Secondly, we do not have as high a level of

corporate headquarters as I would like there to be in Scotland. That is also part of the issue. Thirdly, there is something peculiarly Scottish—even British—about our companies' lower spending on R and D. The really large companies spend proportionately the same as their competitors in Europe and the States, but the mid-range companies appear not to believe in the line between R and D and innovation.

When I say innovation, I am not talking about some mindset-breaking, earth-shattering new product. Instead, I am talking about the innovation that brings about the sort of constant marginal increase in efficiency that cumulatively results in a great deal of progress over the years. That is what we are missing, and we need policies that encourage R and D spend by mid-range companies. With the introduction of the R and D plus scheme and the ITIs, some of that work is already in place. Indeed, one of the ITIs' major policy planks is fully to engage with Scotland's international, large and medium-sized companies.

14:45

Chris Ballance: Does this have anything to do with the profitability of small and medium-sized enterprises? For example, if your chart showed R and D spend as a percentage of profitability rather than of output, would you reach a different conclusion?

Professor MacRae: That is a good question. It is a bit like the chicken and the egg; you might have to invest now to gain in the future. I have another chart that shows the number of patents that have been taken out per head by country of origin, and I am afraid that Scotland comes below Ireland and many other countries in that respect. Indeed, the pattern is the same as the one set out in the present slide. I find it quite sad that the country of Dolly the sheep, James Watt and Andrew Carnegie, which is renowned throughout the world as having the third-highest level of scientific citation per head in academic literature, has not gained any employment and economic benefit from its position.

Chris Ballance: My other question is on a somewhat different track. At a parliamentary launch a few weeks ago, Carol Craig of the Centre for Confidence and Well-being said that, as well as using GDP, we need to develop other sets of statistics, including those based on well-being. What are your views on that?

Professor MacRae: There are some common and well-known problems with GDP. For example, my excellent do-it-yourself work on my house does not show up in the GDP figures. Perhaps, if that were added, our performance would be a bit better.

Chris Ballance: Unless your house fell down.

Professor MacRae: Are you suggesting that I do not do any DIY?

I will use Winston Churchill's reply: show me something better and I will happily take it on board. Criticisms can be made of using statistics on GDP and gross national product per head, but those figures are the most universally available and allow us to make comparisons. I realise that they do not tell us anything about quality of life, Carol Craig's confidence or people's happiness—indeed, I believe that there is now a happiness index. GDP has flaws but, as I have said, show me something better.

The Convener: Susan, do you have a question?

Susan Deacon (Edinburgh East and Musselburgh) (Lab): No, I simply want to apologise for coming into the evidence session so late.

The Convener: I want to pursue one or two policy issues. Professor MacRae, your analysis, particularly of the business sector's R and D spend, has been very informative. According to Scottish Executive figures, we would need to double current spend if we wanted to meet the UK's business sector R and D spend, which itself is not particularly great. That would require an additional £650 million a year. The Lisbon target is to reach 3 per cent of GDP on R and D spend by 2010, although that was downgraded to 2.5 per cent in the Chancellor of the Exchequer's budget. For us to get to and to stay in the race, we are probably talking about additional R and D spend in the business sector of about £1.5 billion over the next 10 years. The perspective of this inquiry is business growth in Scotland up to 2015. If, for the purposes of this discussion, we leave aside the division between devolved and reserved matters, what can and should we be doing to get ourselves into a much higher league with R and D spend in the business sector? As you have said, we are doing well in the UK and are spending a high percentage—about 11 or 12 per cent—of total public spend on R and D. We are punching above our weight. The problem is business spend on R and D. What do we need to do?

Professor MacRae: I am grateful to you for citing the figures for R and D spending. I hope that you remember them when you take evidence on the ITI programme. Large figures are attached to that programme, but they are made to look rather small by some of the figures that you have just mentioned. That is indicative of the size of the challenge that faces us.

There has been some progress. R and D plus is due partly to refocused regional selective assistance funding, and I support it fully. Perhaps we could go further. I am almost tempted to say

that we could have an R and D tax credit—a policy that has been implemented in some Canadian provinces. If the Scottish Executive does not currently have the powers to introduce such a credit, it could be simulated in some way, so that the same effect was created within the current settlement.

I know that the committee will hear more about the ITI programme, which I fully support and which is a response to a particularly Scottish issue. We must also persuade business owners and managers of the value of R and D and innovation. I am not quite sure how we should go about that job. There is a cultural side to the issue. You ask what more could be done. Through programmes such as R and D plus and ITIs, we have started down the road, but much more needs to be done. An R and D tax credit would be even better than the initiatives that have already been taken.

The Convener: Would it be an exclusively Scottish credit?

Professor MacRae: Why not? Why should Scotland not be the natural home of R and D? That makes a great deal of sense, because we have an excellent university sector, good quality of life and an excellent publication record. All the ingredients are there to make Scotland the intellectual capital capital or the home of R and D.

The Convener: In a sense, we are already the intellectual capital capital.

You mentioned patents. According to Scottish Enterprise figures, Scotland produces on a regular basis about 17 per cent of all registered patents in the UK, but we develop only 5 per cent of UK patents. What happens to the other 12 per cent?

Professor MacRae: That is a good point.

Christine May: I have a comment on the convener's question about R and D and your response to it. We can put in place Government initiatives, but your point about firms seeing the value of R and D is more telling. There is not a queue of employers at my door saying that they are desperate to do things but cannot. Generating a desire among employers for improved efficiency and processes is a big challenge. At the moment, that desire is not present to a huge extent.

The Convener: One useful way in which the inquiry could add value would be for us to examine what other regions of European states that have similar constitutional powers do to boost R and D. I know that most German states tend to spend much more money on expanding R and D than they spend on low-end start-up companies. We seem to put a high proportion of our expenditure into low-end start-ups, through Scottish Enterprise and other agencies.

Professor MacRae: Half of SE expenditure goes on Careers Scotland, which is concerned with skills. Erroneously, people sometimes suggest that the entire budget of SE is spent on start-ups and so on, but that is not the case.

To take up Christine May's point, we have to persuade everybody of the benefits of innovation, not just of R and D. Innovation is a series of gradual incremental changes that continually upgrade our efficiency and productivity. We have a lot to do on that.

The Convener: I would like to pursue a policy line that you mentioned en passant. The latest NEET figure, which was given to me in a parliamentary answer last week, is even worse, and has gone from 33,000 to nearly 36,000 people.

You made a point about Futureskills Scotland's survey of employers, and the fact that so-called soft skills are the major problem. You said that investment in education in the early years produces a better bang for the buck than investment in later years. I think I am right in saying that we spend about 20 per cent more per student than the OECD average in higher and further education, but we only spend about 75 per cent of the average in the early years, either in pre-school or primary education. Do you think that the balance is wrong and that we need to get nearer to 100 per cent or 120 per cent of average spending in the early years, to produce a better bang for our buck?

Professor MacRae: I entirely agree. You will see from the figures that I produced on migration that our universities take many young people from England, Wales, Europe and elsewhere. They get their degree, some stay for a year, then they go away again. We account for a high percentage of the UK's graduates. We educate them in Scotland's universities, yet we do not get the economic benefit of them staying. In a sense, their education is funded out of Barnett, but they go back to where they came from. I was hinting that the balance might not be right. I agree with your point about the balance between tertiary and nursery education.

The Convener: On a related point, you said in one of your answers that you want the fresh talent initiative to be significantly boosted. Can you give us some ideas? I realise that it will not necessarily be the policy of your bank or any other organisation but, speaking as an individual, if you were the First Minister and you wanted to improve and enhance the fresh talent initiative, what would you do?

Professor MacRae: Before I answer, I should say that I am reminded of something that I saw in today's press about the person who occupied the

seat that is usually occupied by the First Minister and whose comment was, "I could get used to this."

I do not like hypothetical questions. The outcome that I would like to see is a much higher number of immigrants. We have to consider whether that means working on a total package, including visas and incentives—even tax incentives for the first few years. I think that one of the Canadian states has a policy to allow the equivalent of one of our small towns to immigrate every year. We are not thinking big enough. I realise that there are limitations, but even getting our share of UK immigration, which we are not getting at the moment, would be a great start.

The Convener: This has been a fascinating session and was a good way to kick off the inquiry and set the scene. If you would like to submit other ideas, you are most welcome to do so either formally or informally.

My final point is a request. Is it possible to get the figures on the notional Scottish share of GDP, and the impact of that on things like public spending as a percentage of GDP? It would be useful to get a measure of the importance of that.

Professor MacRae: I will have a look for those figures.

The Convener: That is great. Thank you very much indeed. That was extremely helpful. We look forward to seeing you again. As you know, we are discussing a paper about finalising the detailed methodology for the rest of the inquiry, and we are deliberately trying to involve the business sector, so we look forward to your further involvement at various stages of the inquiry.

We move on to item 2. The committee will discuss the methodology paper to which I have just referred and which has already been circulated to members. It is self-explanatory so I will just take general comments.

I noticed that although there is a fairly substantial list of people who have submitted evidence to the inquiry, there are several organisations that I hoped would have submitted evidence but have not. I am thinking of the banks, the Scottish Council for Development and Industry, Universities Scotland, and the Convention of Scottish Local Authorities. I do not see any of those organisations on the list so I suggest that we might get in touch with a range of them and ask them if they have evidence that they would like to give us. We do not want to be too prickly about the deadline; it has already passed.

15:00

Christine May: I wonder if we could also ask Scottish Engineering, given that engineering is one of the sectors that is under pressure.

Susan Deacon: I suggest that some effort is made to inquire why those organisations have not submitted evidence. Without prejudging the answer to that question, I make the observation that the committee has identified previously a pattern where many organisations that one would have expected to respond to consultations have not done so. I suspect that that also happens at other committees. My guess is that it is partly because organisations are being hit with the same questions so often from so many different directions, but I would be interested to know whether that is the case.

In that context, I wonder whether there is anything else that we can do to source the submissions and views that many of those organisations have previously expressed, albeit to the Executive rather than to a parliamentary committee. I do not see why we should all keep asking organisations that have lots of other things to do with their time to keep writing documents saying the same thing in umpteen different ways just because institutions of governance cannot connect up.

The Convener: Better co-ordination might be an issue that we could raise at the Conveners Group. I mentioned SCDI; the quality of its evidence is always extremely high but it is tight for resources in the same way as many other organisations. SCDI is not a huge organisation and to produce evidence on a subject as wide as this takes up a lot of time and resources. I am happy to raise the issue at the Conveners Group.

Christine May: Many of those organisations will already have submitted similar evidence to, for example, Scottish Enterprise at a national level, and maybe to their local authority or local enterprise company. Perhaps we could go back to the local authorities, the economic development people, COSLA, Scottish Enterprise and the LECs to get local and national information.

The Convener: We always get the local perspective from Highlands and Islands Enterprise, which also always submits excellent evidence.

Christine May: I note that we have got good quality evidence from Fife.

The Convener: As always. There are other parts of the country, however, such as Dumfries and Galloway, that have particular problems, but we never seem to be able to drill down to that level. Perhaps we can pursue that. The clerks are in the process of producing an analysis of the evidence so that we do not need to read it all. Presumably that will be circulated by the next meeting.

I welcome Murdo Fraser to the meeting. We are discussing the methodology paper, which has

been circulated, and whether members are happy with the general approach.

I have two points to make. One is about the format of the formal evidence. A presentation with questions and a fairly free-flowing discussion is much more helpful. It was particularly helpful to see those slides while Donald MacRae was speaking; it helped us to frame the questions that we wanted to ask. Perhaps we should suggest to people who are to give us oral evidence that if they provide slides in advance, that will improve the to-ing and fro-ing and will be more informative than the straightforward, staid questioning sessions that we have had before. That is one way to improve the format.

The other thing that strikes me is that we should include some high-growth businesses in our visits. In the Confederation of British Industry Scotland document that was circulated with the papers, there are three or four case studies. I am not necessarily suggesting that we should visit those companies, but we should go and talk to some high-growth companies, either ones that were sleeping giants for 10 or 20 years before suddenly growing, or new companies that are growing fast. We should include a mixture of indigenous companies and companies that represent inward investment.

Mike Watson: It will be helpful for us to consider good examples, but I wonder whether there is a way to find out what the barriers are. Is it possible to reach people who have considered starting a business but did not go ahead with it, for whatever reason? The appropriate way to do that might be via the LECs. If there are barriers that people encounter—

The Convener: Some people would say that the LECs are barriers.

Mike Watson: If that is what emerges, so be it. We must reflect that in our report. We should reach people who had ideas and wanted to market them and build businesses around them but found, for whatever reason, that they were unable to do so. I cannot think of any source, other than the LECs, for reaching those people, but it would be useful if we could identify the barriers. If people have not found barriers or have overcome them, that is fine, but we should seek those who were put off.

Christine May: I would have thought that the business gateway was the obvious way to do that.

The Convener: Should we build in a visit to the business gateway as well as visits to two, three or four growth companies? Let us go to the coalface and see what is being said there. Is it agreed that we should include that in our visits programme?

Members indicated agreement.

Christine May: Point 5 of the agenda for action in CBI Scotland's growth brief is on public procurement. It reflects a hobby horse of mine, which is that when procurement is being done, you need to specify what you want, not what you want done. You need to specify what it is that you want whatever you are buying to achieve, and not necessarily that you want to buy X or Y, because that stifles innovation and prevents the use of renewable technology in industry and energy production, as we found when we investigated renewables. It also stifles those who have good ideas for achieving an outcome, but because their specification asks for wood instead of for something that will provide the appropriate service, wood is all that they get.

The Convener: The Federation of Small Businesses is very hot on that point and has raised it several times. If its comments are not already included in our evidence, perhaps we should dig them out. There is no need for the FSB to reinvent the wheel, as it has submitted a lot of documentation on that point at various stages. Perhaps we should also ask the Scottish Executive about the matter. It is not the Enterprise, Transport and Lifelong Learning Department that deals with procurement, but the Finance and Central Services Department. According to the CBI's paper, we are talking about £5 billion per year. Perhaps we should ask the Executive for a copy of its public procurement strategy, statement of policy or whatever, and ask how that is used to promote enterprise, given that every minister now has a responsibility for that.

Christine May: We should also ask how its policy is optimised to ensure that the market remains competitive and that orders do not disappear abroad because that is where the volume potential is.

Mike Watson: We should also ask about the role of the European Union.

The Convener: Absolutely.

Susan Deacon: I have a comment on a separate point. Is that all right?

The Convener: Yes. We have concluded the previous point.

Susan Deacon: I have two comments to make. First, I enthusiastically endorse the convener's comments about getting away from the staid nature of question-and-answer sessions. I will attempt to push the boat out even further in that respect. I suggest that more use should be made of groups of people with different perspectives being brought together in the same room with us, be it in formal, recorded sessions or in informal sessions, perhaps during case study visits and so on.

Question-and-answer sessions strike me as one of the many aspects of the way in which we work that is the antithesis of the sort of good thinking that takes place in many of the other walks of life in which we have all previously existed. We are not alone, of course. I am talking not only about the Scottish Parliament, but about the democratic process in many places. Most of the best thinking that results in the best outcomes occurs when people spark off each other in groups. However, we keep breaking people into little sectors and bringing them in separately for discussions with us. Instead of doing that, we could be quite creative and spark off some interesting discussions by bringing together a range of different perspectives and experiences in the same room at the same time and trying to get a bit of interchange between them. I would not want to push any further at this stage in relation to precisely what some of those combinations might be, as I am sure that other people have their own ideas, but if the general principle could be accepted I would like more of that way of working to be woven into the methodology that is employed.

My second point is quite separate, so I will pause there.

The Convener: A good example of that would relate to the question of the level of business spend on research and development, which I think is one of the biggest challenges that we face. It might be that we should organise an off-site session along the lines that we are talking about. The computer industry calls such meetings "woods meetings" because you go away into the woods to have them.

Susan Deacon: That must be an Ayrshire thing.

Christine May: Or that thing about what bears do.

The Convener: Absolutely. It might be an idea to take a big subject such as the one that I mentioned and invite people who have views to contribute not in relation to what the problem is—because we know that already—but in relation to what we can do to solve the problem. If everyone is happy with that, we could try it out.

What was your second point, Susan?

Susan Deacon: My second point was about subject matter as opposed to process and relates to the question of demography. We have touched on that subject in the committee before.

I would like us to focus on the demographic issue more and in a different way than we have done to date. Of course, it might be that you can reassure me that bits of work are being undertaken by the clerks that will do just that, convener. However, time and again, we make a

leap from talking about demographic change to talking purely about the fresh talent initiative. However, that is but one aspect of the way in which we can address demographic change. No matter how big, shiny and successful it is, it will always be only one aspect.

I missed the beginning of Donald MacRae's presentation but I think that the slide that he has given us a copy of raises a great many questions and has a great many implications that go much wider than the narrow focus that we often have on the issue, which, in a wider sense, relates to the fact that we have an aging population and a declining birth rate.

I will leave it at that for now, but my sense is that we are not yet weaving that topic into our thinking sufficiently.

The Convener: One of the points that Donald MacRae made in his presentation was that the people issues are probably the most important in terms of contributing to the level of GDP and that the relative decline of the Scottish population will have a significant impact on the GDP growth levels.

The answer might come down to the earlier point that was made about taking a big subject and bringing together relevant experts. It might be that we should take as the subject of the second of those off-site meetings the issue of fertility rates or birth rates and related issues. Clearly, the evidence that is arising is that that is the biggest contributor to population decline in Scotland and is now much bigger than the problem of net emigration. It might be useful to go into the woods and talk about fertility. That would enable us to bring out different dimensions. Would that be worth talking about?

Michael Matheson: That would be worth considering.

15:15

Susan Deacon: I should not prolong the discussion but—for the avoidance of doubt—I am not going into the woods with any of you. Seriously; we must be careful. The convener said that the committee might talk about wider fertility issues but, as interesting as the matter is, it is not for this committee to get into questions about the birth rate. The challenge is for us to make links to aspects of that matter that fall within this committee's remit, such as the role of employers in making the workplace more conducive to people who combine working with having a family and who might, as a consequence, choose to have more children. As someone said in the previous part of the meeting, it is awfully important that in our inquiry we keep asking questions about what all of us can do to change practices and culture

and to tackle the issues, rather than always taking the default line of asking what the Government should do and how public policy should change. There are many issues in relation to the population question that many people in many sectors—including employers and businesses—must take on board. It is not just about saying, "What will the Government do to fix the problem?"

The Convener: The issue has been tackled in slightly different ways in Sweden and France. Perhaps we should ask the Scottish Parliament information centre to dig out a briefing on how other countries have dealt with similar problems.

Christine May: We could also ask our adviser.

The Convener: Yes; that would be a good starting point. The committee has heard that the matter is crucial to the discussion about growth and must be tackled, but I suspect that not much of the evidence that we have received, or will receive, will address the issue head-on or comprehensively. Shall we pursue the issue?

Members indicated agreement.

The Convener: Do members have further comments on the paper?

Chris Ballance: I will make three comments. First, sustainability is not included as a theme, although we agreed to consider sustainable business growth. Can we add sustainability to the themes that are set in bold type on pages 1 and 2?

The Convener: Should sustainability underpin all the themes, rather than be a theme on its own?

Chris Ballance: Certainly. We can decide how we ensure that sustainability is included and addressed.

The Convener: Do you agree that sustainability should be a principle that underpins all the themes?

Chris Ballance: I agree absolutely—as you might expect.

Secondly, I want to put on record again that I am not convinced that we should undertake three international visits, given the other expenses of the inquiry. I am aware that I might be alone in thinking that.

Thirdly, the paper suggests that we consider including an observer from Highlands and Islands Enterprise on some of our visits. The convener also mentioned the frequent lack of input from Dumfries and Galloway and south-west Scotland. I will put on my regional hat and say that there is a strong sense in the south-west that a great deal of emphasis is placed on the problems of the Highlands and Islands. Perhaps particularly at Westminster, there has been a sense that rural

Scotland means the Highlands and Islands and that the problems of rural Scotland can be addressed by tackling the problems of the Highlands and Islands. However, the problems of southern Scotland—particularly Dumfries and Galloway, but also the Borders to a lesser extent—are entirely different from those of the Highlands. I am loth to consider rural Scotland only in the context of Highlands and Islands Enterprise and would like that to be addressed somehow.

The Convener: On your second point, we have already discussed and agreed in principle that the inquiry will include overseas visits. I do not want to reopen that discussion, which was fairly exhaustive. If we keep going round the houses on the same issues, we will never get anywhere.

Chris Ballance: I am content just to put my view on the record.

The Convener: On the other issue, although it is valid to point out that Dumfries and Galloway and the Borders have particular problems, the same point could probably be made about any part of Scotland. Personally, I would be quite happy if people from the Borders and Dumfries and Galloway participated in a visit that involved a particular dimension, but we can decide that kind of detail nearer the time. Today, we are simply trying to get agreement on the overall approach and methodology. The specifics can come later. Is that proposal acceptable?

Members indicated agreement.

The Convener: Paragraph 10 of the paper invites the committee to agree to various proposals. First, the committee is invited

“to consider whether to adopt a thematic approach to evidence sessions and, if so, whether to proceed on the basis of the themes proposed and what other themes should be included”.

If we take into account Chris Ballance’s point about the need for sustainability to be an underlying principle, do members agree to that proposal?

Members indicated agreement.

The Convener: Secondly, the committee is invited

“to consider the indicative timetable for the inquiry”.

Obviously, the word “indicative” is critical. Do members agree to the indicative timetable?

Members indicated agreement.

The Convener: The third proposal is:

“having already agreed the principle that fact-finding visits should be arranged to complement and inform the themes of the evidence sessions, to discuss and agree the criteria for selection of location outlined above”.

Basically, the suggestion is that we will not go on jollies for the sake of going on jollies; every visit will have a purpose. We will look at practice elsewhere in situations that are applicable to Scotland. In other words, our problem is that we are part of a much bigger country but we are growing at a much slower rate than the country as a whole. The suggested main criterion for selecting which locations we should visit is that they must be like Lombardy in Italy, which has been able to generate much faster growth than the rest of the country and whose constitutional arrangements are not dissimilar to those of Scotland. Any such visit would aim to discover what lessons we can learn from that experience. It is key that overseas visits allow us to compare like with like, not apples with oranges. Although Michael Matheson and I agree that we would like Scotland to have the same powers as Finland or Austria, that is not the inquiry’s purpose. In our inquiry, we will look at similar places that have broadly similar powers so that we can see how they make more imaginative use of those powers to generate business growth. Do members agree with that proposal?

Members indicated agreement.

Christine May: Further to Chris Ballance’s point about sustainability, the briefing or matrix of questions that we draw up to send to the relevant people in the place that we visit should include questions about the impact of regulation and sustainability issues. We should ask people how they deal with the tensions between going for growth and dealing with emissions and other green issues such as carbon trading. We should ask how they deal with those issues not just in relation to small businesses, but in relation to the big high-growth businesses, which have the greatest energy use and so present the greatest potential for energy savings although, equally, they present the greatest potential for job creation.

The Convener: Before we go on each visit, we will have a proper briefing session, with checklists of the matters that we want to cover as a minimum. It will be worth our while to spend time on preparation for the visits—all of which will be arranged for some time after 5 May—because we will get much more out of them if we maximise our preparation.

Christine May: Convener, we are very happy for you to go on any visits that take place before 5 May. You can take Michael Matheson with you.

The Convener: That is very kind of you.

Michael Matheson: I am not going with him.

Christine May: Susan Deacon would not go into the woods with him, either.

The Convener: On other business, we specifically suggested that a group of committee members should visit at least one of the intermediary technology institutes, which are among the driving forces, and the people encouraging enterprise in Rossendale project, which takes a unique approach to enterprise development and growth. I emphasise that what we are suggesting is that two or three members go on each visit—we would not all go on all the visits. Members will be able to say which visits they would prefer to go on. In general, is everybody signed up to that and happy with the approach that is suggested?

Members indicated agreement.

The Convener: The penultimate point is to consider whether to determine suitable locations for further visits during the course of the inquiry. I think that it goes without saying that we would do that if something came up.

Members indicated agreement.

The Convener: Finally, we must consider whether to invite additional business professionals, a business correspondent, a representative of Highlands and Islands Enterprise and possibly people from other areas to accompany selected fact-finding visits at no cost to the committee. I think that we agreed in principle that we want to involve people from the business community during the course of the inquiry. Is that agreed and is everybody happy with the paper as amended?

Members indicated agreement.

Football

15:26

The Convener: Item 3 is the most important item. The committee will consider an interim report and discussion paper on how to go about our consultation. The discussion paper, which is based on the earlier draft report that was prepared by Richard Baker, has been circulated. It is obviously very much oriented towards being a discussion paper that asks questions rather than one that reaches conclusions. Are there any comments on the paper? Richard, would you like to say anything by way of introduction?

Richard Baker: The clerks have crystallised the initial report very well. I was surprised to see how much text we had lost while still keeping the sense of it. I know that there are some recommendations that could be seen as being controversial in the report that I brought to the committee. The clerks brought up those issues—I think that they have done so very well. I certainly think that the sort of questions that have been posed will lead to an interesting set of evidence, which I hope the committee will be able to consider. I hope that the committee will also consider the evidence that I have already collected and circulated to the clerks, and that the questions will stimulate debate.

If we are sending the paper out, we should make it clear that not every organisation will want to answer every one of the 25 questions and that they may answer only some of them; some organisations might feel that their expertise lies in certain areas. It would also be great to get thousands of fans writing in. We should try to maximise that, but it might simply be in the nature of the process that we will not get thousands of responses, as we have seen with other consultations in the past year. However, many people will want to respond to the consultation. It is particularly important that we get the key stakeholders to respond. Having read the paper myself, I think that it has crystallised the issues well, and the questions are extremely well put.

Murdo Fraser (Mid Scotland and Fife) (Con): The paper is very good; it is exactly the right way to approach the subject. Like Richard Baker, I hope that we get lots of feedback from people. My only slight quibble is with paragraph 3 of the introductory page, which states:

“The rest of the Committee endorsed the general principles in his report”.

I am not convinced that we can say that without having a discussion about it and looking at all the evidence. I would be happy if we could take out the words

“endorsed the general principles in his report”,

and wait to see what we get back, rather than our saying that we are simply presenting the paper for discussion.

The Convener: That is reasonable. Is everybody happy with that?

Members indicated agreement.

Michael Matheson: I wanted to mention the idea of having a glossy version of the discussion paper.

The Convener: That is the next decision that we have to make, but at the moment we are discussing the draft itself.

Michael Matheson: Okay.

15:30

Susan Deacon: I have two points. First, I join other members in expressing appreciation to Richard Baker for all the work that he has done. This is the first time I can recall seeing a list of people who have already contributed; it is an enormous job for a committee reporter to do.

I have a second point on the discussion paper, although my substantive concerns can be fully explored later. The point relates to the fact that, although our approach takes a football-only perspective, the word "football" could be deleted and the word "sport" inserted. Clearly, we get answers to the questions that we ask and, as a committee, we asked for a report on football. Let us take page 18, for example. In just about every question on that page, the word "football" could be substituted by the word "sport". We could call for a stakeholder forum on sport and for community planning partnerships to liaise with sports organisations rather than just football organisations.

We asked Richard Baker to do a report on football, but I raise my point now because it is appropriate for the committee to acknowledge that some of the views that are expressed and the questions that are raised in the report may well be equally applicable to other sports. We could also acknowledge that the needs of football could be more appropriately addressed in a wider context. It would be helpful to acknowledge that point up front in the report. If we do so at the outset, we will head off people who may want to express that concern.

The Convener: I am quite happy to do that. We will build in that suggestion.

Richard Baker: If we were to meet the Convention of Scottish Local Authorities, for example, we could say that our recommendations could be applied to other sporting facilities.

The Convener: With those comments, are members happy with the paper or does any member have another point to raise?

Mike Watson: I have one point to make. The paper says that

"it is proposed to run the consultation process for about 5 weeks (until Friday 13 May)."

Given that 13 May is only four weeks away, I am concerned that we may not be giving people adequate time to respond.

The Convener: We could give them until the end of May.

Mike Watson: Some organisations meet only once a month.

Richard Baker: My concern is that we should have something out before the summer.

Mike Watson: The closing date for the consultation should be pushed back by at least a week and by two weeks, if possible. I make that request with the proviso that we should aim to publish by the time Parliament breaks up for the summer recess at the end of June.

The Convener: So, should we set the date at around 23 May? Is that agreed?

Members indicated agreement.

The Convener: I thank Richard Baker; a lot of work went into the paper. Michael Matheson has a point on the consultation options paper.

Michael Matheson: My point concerns the idea of producing a glossy version of the discussion paper. I am not sure what purpose that would serve other than to have a glossy version of the document, which would cost quite a bit of money. I have complained often to councils about the big glossy documents that they produce, so I would hate for us to go down that route.

Mike Watson: Particularly given the timescale.

Michael Matheson: Also, in terms of publicising the consultation, I am not convinced that we will hit the targets we have to hit. Using the Parliament's website is fine, but it would be worth our while to try and get something into club programmes. We could advertise the fact that evidence is being taken and we could direct people to the website. We could also ask fans to consider contacting us to give their views. We need to get to the critical masses and that might be one way of doing so.

The Convener: That is a good idea.

Christine May: We could contact supporters trusts, too.

Mike Watson: An organisation called Supporters Direct is the overarching body for supporters trusts in Scotland—it is an Executive-funded body. I see that James Proctor, who is one of the Supporters Direct directors, has contributed to the paper. I am sure that he could disseminate the information to trusts or ensure that all trusts get a copy of the paper.

Michael Matheson: A number of clubs have their own fanzines, some of which come out weekly and are very professionally produced; indeed, some fanzines attract higher sales than do club programmes. We should include them, possibly by taking advertising slots.

The Convener: That is a helpful suggestion. I will quickly run through the recommendations. The committee is invited to discuss and agree the process of consultation, with the changes that we have made. Is that agreed?

Members indicated agreement.

The Convener: Do members agree to make the written evidence that we receive publicly available at the end of the consultation?

Mike Watson: Does that include the written evidence that we have at the moment and anything we receive as part of the consultation?

The Convener: Yes. Is that agreed?

Members indicated agreement.

The Convener: Do members agree to publish the finalised discussion document online?

Members indicated agreement.

The Convener: Do members agree that we will not produce a glossy version of the document?

Members indicated agreement.

The Convener: Do members agree to authorise the convener, the deputy convener and Richard Baker to publicise the consultation in the print and broadcast media as outlined?

Members indicated agreement.

The Convener: Do members agree to invite the Minister for Tourism, Culture and Sport and representatives of the national football organisations to give evidence to the committee?

Members indicated agreement.

The Convener: Finally, do members agree that once the report is agreed by the committee, it should be given full publicity via press briefings?

Members indicated agreement.

The Convener: Try and stop us.

I thank members very much for that excellent session. Our next meeting will be held on 26 April, when we will hear evidence from the BBC as well as from the unions. That will be an important meeting. I look forward to seeing members on the day.

Meeting closed at 15:35.

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