

# **ENTERPRISE AND CULTURE COMMITTEE**

Tuesday 8 November 2005

Session 2

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2005.

Applications for reproduction should be made in writing to the Licensing Division,  
Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ  
Fax 01603 723000, which is administering the copyright on behalf of the Scottish Parliamentary Corporate  
Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by Astron.

---

# CONTENTS

Tuesday 8 November 2005

Col.

ITEMS IN PRIVATE .....	2357
INTERESTS .....	2358
BUSINESS GROWTH .....	2359
ST ANDREW'S DAY BANK HOLIDAY (SCOTLAND) BILL: STAGE 1 .....	2372

---

## ENTERPRISE AND CULTURE COMMITTEE

22<sup>nd</sup> Meeting 2005, Session 2

### CONVENER

\*Alex Neil (Central Scotland) (SNP)

### DEPUTY CONVENER

\*Christine May (Central Fife) (Lab)

### COMMITTEE MEMBERS

\*Shiona Baird (North East Scotland) (Green)

\*Richard Baker (North East Scotland) (Lab)

\*Susan Deacon (Edinburgh East and Musselburgh) (Lab)

\*Murdo Fraser (Mid Scotland and Fife) (Con)

\*Karen Gillon (Clydesdale) (Lab)

\*Michael Matheson (Central Scotland) (SNP)

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

### COMMITTEE SUBSTITUTES

Mark Ballard (Lothians) (Green)

Donald Gorrie (Central Scotland) (LD)

Fiona Hyslop (Lothians) (SNP)

Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

Mr Brian Monteith (Mid Scotland and Fife) (Con)

\*attended

### THE FOLLOWING ALSO ATTENDED:

Dennis Canavan (Falkirk West) (Ind)

### CLERK TO THE COMMITTEE

Stephen Imrie

### SENIOR ASSISTANT CLERK

Douglas Thornton

### ASSISTANT CLERK

Seán Wixted

### LOCATION

Committee Room 5



## Scottish Parliament

### Enterprise and Culture Committee

*Tuesday 8 November 2005*

[THE CONVENER *opened the meeting at 14:02*]

#### Items in Private

**The Convener (Alex Neil):** I welcome everyone to the 22<sup>nd</sup> meeting in 2005 of the Enterprise and Culture Committee. We have received apologies from Murdo Fraser, who will be slightly late. I do not know whether he will be wearing his crown when he comes, but he will be joining us shortly.

We begin with item 1. Is it agreed that we should take items 5 and 6 in private?

**Members** *indicated agreement.*

## Interests

14:02

**The Convener:** I welcome Karen Gillon, who has been promoted to the committee, and I ask her whether she has any declaration of interests to make.

**Karen Gillon (Clydesdale) (Lab):** I have no interests to declare that I am aware of.

## Business Growth

14:03

**The Convener:** Item 3 is our business growth inquiry. As members know, we have completed our two study tours. Three MSPs went to Hamburg and Bremen in Germany, and three MSPs went to Finland and Sweden. While the tours are fresh in everybody's minds, I want to go round the table and pick up the threads of what people think are the main lessons to be learned about business growth from those experiences. We have a detailed record of the meetings, so what we are looking for is the thrust of what was learned from each visit.

We shall start with Christine May, who was the group leader for the Scandinavian visit.

**Christine May (Central Fife) (Lab):** It was a very interesting and intensive visit—I do not know whether the other group found that, too. The contacts that had been made on our behalf by the adviser were at a high level and the meetings that had been arranged were with the people who were responsible either for policy or for making decisions.

If I were to pick out the key elements of what we found, I would say that they were about building a consensus on what needed to be done. It was evident both in Finland and in Sweden that that had been done and that time had been taken to do so across all sectors.

Putting in place what business referred to as a long-term stable environment and identifying the areas that would get intensive investment were positives. The negative was that there were in both countries elements of the economy that were not getting that intensive investment. Those elements were in decline and causing problems. In both countries there were problems—such as we have—with entrepreneurship, the levels of business start-up and people's ambitions to work anywhere other than in a large company or the public sector.

In Sweden, and in Finland in particular, a large group of people were economically inactive because of changes that had happened in industry as the industrial climate changed. I got no feel of anything being done to get those people back into employment.

I am sure that colleagues will pick up on the bits that I have missed. However, I reiterate: the agreement on the major economic drivers among academia, industry, Government and the trade unions was clear and overt.

**The Convener:** What about the innovation agencies?

**Christine May:** It was clear that their remit was to support innovation, but the money, coming as it did largely from Government, was targeted either at blue-sky academic research in institutions or at supporting partnerships between business and universities and academic institutions. There was a big drive in Sweden to have evidence of such work before Government money was given.

Although we did not get as much evidence on this as I would have liked, it was evident to me that where defence expenditure had reduced in Sweden—and expenditure in that area had been very high—the amount of money saved that transferred into the private sector must have been considerable. However, as I say, I did not get a feel for the amount involved, and I would like to get back to the Swedes on that.

**The Convener:** What was the scale of the investment by the innovation agencies?

**Christine May:** My impression was that although the scale was large on a national basis, it was very focused on key centres. In Sweden we heard that there was no area of innovation that received support that did not have a university at its heart. Universities specialise in biosciences or in other single areas of excellence, for example. In some respects, the Swedes were building centres of excellence.

Although levels of investment were higher than ours, more important than the levels of investment were consensus and stability. One of the lessons that we might draw from the Swedish experience is that there is a connection between levels of investment and growth. We need to do better. Building consensus is something for political groups, industry and trade unions to do. We need to be in it for the long haul.

How do we in Scotland build the crisis mentality, which was the main driver for change in Finland and Sweden, without the crisis? We do not want to precipitate an economic crisis, but that is what forced change in Finland and Sweden.

**Michael Matheson (Central Scotland) (SNP):** Christine May has covered many of the major points. Having gone there, I became aware that the Swedes and Finns are well ahead of us in investment in research and development. One of the things that struck me was that there is no special formula for arriving at that solution other than through having businesses that have to invest heavily in research and development to compete in the global market. That was particularly true of Nokia and Ericsson. Most of the funding that goes into research and development in both countries is largely through the private rather than the public sector.

It was interesting that, in Finland in particular, although the innovation agencies are focused on

developing the partnership between industry, academia and the Government, the Government's input is much more about trying to identify winners that will provide added value. In Sweden, on the other hand, I got the impression that Government investment is more broad brush—there is a readiness to go for blue-sky thinking and an acknowledgement that there will be some losers. In other words, Sweden has a much more holistic approach to how it invests in R and D work.

I was also struck by the apparent focus in Finland on developing clusters of small and medium-sized enterprises, larger businesses and academia in areas in which the country is strong and on getting them to work collectively. With Nokia, it is clear that Finland has a leading international company, the development of which has involved academia and Government. Clusters have developed around that and, when there have been spin-offs, further clusters have sprung up. Finland has invested in areas in which it is strong and has a leading edge, and has tried to bring all the different parties together.

Sweden goes more for what it calls the triple helix approach to investment, which involves industry, Government and academia. As Christine May said, an R and D project must already have received investment from higher education and industry before the Government will invest in it. From what we heard, that model seems to work well in building up relationships and partnerships. Like Finland, Sweden works on a cluster model. Where it has strengths, they are brought together so that people in similar areas can work together.

Those are a few of the points that struck me. I found the way in which Finland and Sweden have gone about matters extremely interesting. As Christine May said, the biggest catalyst for change was the economic difficulties that the two countries experienced in the early 1990s. I do not know whether the way in which we should address our economic crisis is to create a further crisis on top of it; I suspect not. Although there was no single solution, Finland and Sweden have created networks and clusters that work together very closely.

**Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD):** I will add a few things to what has been said, although I assume that, as Douglas Thornton and Ross Burnside made notes faithfully at the end of each day, their input will be important, to say the least.

I echo what has been said about R and D. In my view, support for R and D is more structured in Finland, in that there is a definite zeroing in on the academic sector and industry. It was interesting that, in Finland and, to a degree, in Sweden, if a big company, such as Nokia, needed cash to work with a university, such as the University of

Helsinki, it was important for the company to demonstrate SME involvement.

It was interesting, too, that the futures committee of the Swedish Parliament was a bit disappointing in what it told us about back-bench political involvement in the process. The committee's members may simply not have had a good day, but we did not learn as much as we had expected to.

**Michael Matheson:** You are referring to the Parliament of Finland's Committee for the Future.

**Mr Stone:** You are absolutely right; thank you.

Nokia in Finland and the Stockholm Chamber of Commerce both had a lot to say on the taxation regimes—on income tax, rather than corporation tax—in their countries. Nokia's criticism was that income tax was so high that it might consider employing two people to do research outside Finland for the same price that it would cost to employ one person in Finland. As well as commenting on the tax situation, the Stockholm Chamber of Commerce said that the generous benefits regime was underpinning the large rump of permanently unemployed people. As Wolfgang Michalski pointed out to us, the gentleman to whom we spoke had worked for a Conservative Administration in the past, so it is possible that he had an agenda.

Sandy Cummings and I were particularly taken by the level of investment in R and D and the much better interface between academia and industry. We still need to attain that level of integration in Scotland.

14:15

**The Convener:** As other people went with us on the visits—Sandy Cummings from Highlands and Islands Enterprise, Alan Wilson from the Scottish Council for Development and Industry, Susan Love from the Federation of Small Businesses Scotland and Mike Cannon from Scottish Enterprise—it would be useful if we got their feedback through the clerks. I am sure that they saw matters that the rest of us did not pick up. Are there any questions to the Scandinavian delegation?

**Mr Stone:** I thank members for their sympathetic text messages when we were in Helsinki airport.

**Christine May:** We were snowed in.

**The Convener:** We were keen to bolster your spirits, although we heard that your spirits had already been bolstered.

**Shiona Baird (North East Scotland) (Green):** I apologise for being a wee bit late. I might have missed discussion of this, but was there any

reference to skills development? Members talked a lot about R and D, but I am interested in the attitude to investment in schoolchildren, particularly in Finland. I realise that that was not part of the remit, but did the group get the feeling that more is achieved before children reach the university or further education stage?

**Christine May:** Yes. In both countries, we found evidence across the board that the investment in education that began about the time of the economic crisis has been crucial. The result of the investment in early years education and throughout the school system is appreciated. I see my colleagues nodding.

We have not touched on some of the other interesting issues that arose, such as how Sweden is forcing peripheral areas, by ignoring them to an extent, to work for themselves. We heard about one of Sweden's most northerly towns, which had been the worst performer in terms of business friendliness in a survey by a business organisation—for example, it took about two years to get permission for a food outlet there. People got together in the town to tackle the issue and Ikea is now about to set up a store there, which will be accessed by people from Finland and Russia, as well as from the north of Sweden. That is evidence that not doing things for people spurs them on to do things for themselves.

**Stephen Imrie (Clerk):** That was in Sweden.

**Christine May:** That is what I said. If the *Official Report* says that I said Finland, that is wrong.

**The Convener:** We will have the clerk's notes in the next two or three days.

**Mr Stone:** I will try and get the facts right, too. One interesting point is that we heard that primary education is fantastic and that secondary education is dashed good. However, in Finland—I think—we were told that tertiary education, including universities and so on, is just okay. We were not sold it so strongly.

**Michael Matheson:** Yes, that is right.

**Mr Stone:** I was struck by that.

**Michael Matheson:** Another issue in Finland is about getting people to graduate. The system is generous and education is free, so students study for years or they take a year out and go back and get more funding, which leads to a problem with getting some students—the eternal students—to graduate. People can do their undergraduate and postgraduate courses and their doctorate all funded by the Government. Incidentally, for any Scottish individuals who read the *Official Report*, I point out that it is open to all European Union citizens to participate in the Finnish education system free of charge. Getting graduates to move on is an issue. However, the situation probably

aids the relationship between industry and academia on R and D, as people can stay on at university for several years to pursue research.

**Mr Stone:** I am going to do a PhD in Stockholm if I lose my seat.

**The Convener:** The week before the group was in Sweden and Finland, two colleagues from the Education Committee—Adam Ingram and Frank McAveety—were there to consider early years education. We will ask them for a copy of their notes, to find out whether they inform our work. That would be useful.

That covers Scandinavia, so we will now move to Germany. I defer to my colleague Susan Deacon, to open up on the Germany visit.

**Susan Deacon (Edinburgh East and Musselburgh) (Lab):** I must say that the convener deferring to me does not happen often. I was sure that he wanted to take the lead on this item, but I am happy to share some of my thoughts.

The visit was very valuable, if intensive. Given all the presentations, the principle of diminishing returns began to apply towards the end, by which time we were ready to spend a little longer talking to people instead of being fed yet more information. That is just some feedback on the design of programmes; the visit was, without question, incredibly useful.

My observations are very broad brush and do not highlight anything that has not already been well documented elsewhere. However, it was interesting to go to Germany and get a sense of some key similarities and differences between the two nations. We should not underestimate the very different macroeconomic conditions in Germany, whose economy is not as healthy as the British economy for a host of reasons that I will not be sidetracked into explaining.

However, one simple figure that the convener and I picked up on at the time and have discussed since is the level of unemployment in some areas. For example, unemployment in parts of Bremen is as high as 19 per cent. Although the economic and labour market conditions are clearly different, I was interested to find that the Germans are also trying to deal with skills shortages by importing certain skills. Although the circumstances are different, we return to the issue of countries competing for and trying to attract talented and skilled people, which is becoming more and more important in knowledge economies.

We were also shown some very interesting examples of good innovation and collaboration. However, I found the issue of scale and the fact that Scotland is relatively small compared with many nations competing on the global stage screaming out at us time and time again. That



reinforced the fact that we need to collaborate on research in different geographical areas and so on. In our informal conversations and formal discussions, we kept returning to the question of how we establish critical mass to ensure that we can compete effectively on a global scale.

That said, we should acknowledge some of our real strengths. For example, I was struck by the fact that, when we got off the plane at Edinburgh airport, one of the first things that hit us was a big wall sign for the Edinburgh technology triangle—I think that that is its correct title—that displayed various aspects of work involving a range of research organisations such as the centre for biomedical research. People from other countries can see examples of best practice on our own doorstep. We should give credit where it is due to such examples of tremendous technological innovation and collaboration in Scotland; however, our visit to Germany showed that we needed to do more in that respect.

I have two other observations that we should develop in our inquiry. First, not a day goes by that some forum or other is not debating changes in the global economy and China's economic development. Again, that was reinforced in some quite symbolic ways—and I know that the convener is aware of the example that I am about to refer to. On a boat trip around Hamburg harbour, which I believe is the second-largest port in Europe—

**The Convener:** It is, after Rotterdam.

**Susan Deacon:** So the harbour is a serious operation. Indeed, one thing that we registered—and then discussed—was the sheer size of the Chinese container ships that were docked there. I understand that many recognisable examples of German engineering have increasingly been outsourced to China and other parts of southern Asia. Therefore, although the design and the quality control are still very much German in nature, the production is not. We saw some big-ticket global issues at first hand.

Secondly, I come to an issue that we can deal with in the inquiry. I was struck by the political process in Hamburg and Bremen. I have always said that, in the business growth inquiry, we have to be prepared to hold up a mirror and ask whether we who are involved in the political process in Scotland could work differently or do more to facilitate business growth. I think that the political system in Hamburg and Bremen involved a more strategic and consensual approach than we have here. In Hamburg, that was evident in the fact that, although the Christian Democratic Union recently won power for the first time in decades from the Social Democratic Party of Germany, it had explicitly signed up to the same big strategic and overarching economic and regeneration

objectives. That was highlighted to us by a number of people outside the political process as being key to giving them the continuity that they needed to take forward those big strategic objectives. In Bremen, a coalition between the SDP and the CDU had been in place for a decade. Again, that was widely cited as being the basis that enabled people to move forward better and faster than they might have been able to do in the absence of that political agreement. There are various ways in which that political consensus can be achieved but we cannot afford to let that observation slip from our minds as we move through our inquiry, even though it is hard to see what specific recommendations we could make—and to whom we could make them—on how to achieve it. However, the importance of the issue was something that screamed out at me.

**The Convener:** The value of having Wolfgang Michalski as an adviser was clear, in relation to not only his presence but the itinerary that he arranged for us. We are getting real value for money out of him, to say the least. Although the law of diminishing returns kicked in on the last day, that was only because we were absorbing so much information.

I would like to make a general point about these committee visits. In addition to being extremely helpful for our inquiry, I think that the visits helped us to build relationships with other politicians in Europe. Hamburg and Bremen are interesting from our point of view in that they are Länder in their own right. In fact, the state of Hamburg has a population of just more than 4 million and is not dissimilar to Scotland, although it is smaller. Bremen had a lot of similarities with Scotland as well.

There were a number of underlying lessons to be learned. We spent most of the first day in and around the port authority in Hamburg. It was obvious that Hamburg had taken a natural resource—the port—and maximised the economic opportunities that resulted from it. Susan Deacon quite rightly mentioned the Chinese link. Hamburg clearly has a strategic objective of building itself up as China's main route into Europe, the Baltic states and beyond—so much so that more than 400 Chinese companies are located in Hamburg alone. The key to all of that was continuing high levels of investment and reinvestment. Hamburg is not standing still. It is reinvesting in leading-edge computer equipment, and much of the container movement is now controlled by robotics and so on. Hamburg is continually looking at new opportunities, even to the point of demolishing building after building and clearing the land to build something new because that is what the market requires. There were two underlying lessons in that regard: the first is that we should use natural resources to match the needs of the

global economy; the second relates to the high quality and scale of investment that is required if we are to achieve the first.

14:30

From a strategic point of view, the clusters and sectors that are targeted in Bremen, Hamburg and—I suspect from what was said—most other parts of Germany, are by and large the same sectors that we target. Life sciences are a good example. As a result, it will not be enough simply for us to have a life sciences strategy—we will have to consider six or seven major subsectors and decide which should be focused on. We will fail if we try to cover all aspects of life sciences because we will not get the critical mass, which, as Susan Deacon said, is vital to success.

It was noticeable that there are areas on which Bremen and Hamburg do not concentrate—for example, people did not mention energy as a target area because those places have no natural advantages in energy, which Scotland has. It is worth bearing it in mind that there are clearly lessons to be learned about where we might gain competitive advantages that others would find it difficult to gain.

So far, our inquiry has identified access to capital as the important barrier to growth. Bremen has a state bank that acts as a filter for getting private sector funding into SMEs in particular. In projects' early years, there are less-than-commercial terms and conditions to pump-prime investment. We will obtain more information about that. The bank was mentioned in an extremely interesting presentation on the final day. We have asked for substantially more detailed information about it because that could be a model that is worth considering when we discuss access to capital. The way in which the bank was set up means that it is not caught up in public sector borrowing requirement issues.

Like Susan Deacon, I think that the visit was extremely worth while—I think that Murdo Fraser would agree with us if he was here. The visit was successful and valuable in relation to what we learned and the links that we established, and we will receive follow-up information that will inform our report and our recommendations. That information will be supplemented by additional information from the clerks and from the other people who participated. The people who went on the Scandinavian trip found it valuable to have other people on the trip who were not from the Parliament and who looked at things in a different way.

We had to go through a fairly complicated security procedure before Airbus representatives agreed to a meeting. Airbus has set a target of a 5

per cent increase in productivity year on year. Recommending such a target to Tom McCabe for his efficient government exercise would be useful—it would be interesting to see how well he could do with that. That is an astounding target for such a huge company to set, but it is achieved—that is how the company remains competitive.

**Shiona Baird:** For how many years has it met that target? When was the target introduced?

**The Convener:** I think that the company has had such a target almost from time immemorial, and it is met.

**Shiona Baird:** So the target is not only an aspiration—it is met.

**The Convener:** Yes. The company invests in its people and its buildings. We saw where the previous Airbuses were built and where the new Airbuses are built, for example. One place looked as if it was from the 20<sup>th</sup> century and the other looked as if it was from the 21<sup>st</sup> century. There is a very high level of investment; indeed, the word “investment” was used all the time. People mentioned the investment that there has been in the port authority, containers, Airbuses, small and medium-sized enterprises and so on.

**Christine May:** We heard that business and enterprise investment represents the bulk of investment in Finland and Sweden. Is that also true in Germany? Perhaps the investment is pump-primed by Government money, but is it mainly private sector money?

**The Convener:** Absolutely. The role of the life sciences agency, which is not a huge investor, is to work with the private sector and academia. Public sector money is used to pump-prime, incentivise and act as a catalyst for increasing private sector funding.

**Shiona Baird:** When you talk about private sector funding, do you mean venture capitalist-type funding or companies investing in themselves?

**The Convener:** I mean companies investing. Until last year, the port at Hamburg was run by civil servants in three Government departments. It was decided to transform the port into an independent port authority, which is set up as an independent trust: it is profit making but not profiteering, if I can put it that way. The port authority is set up in such a way that it can go bust. Apparently, according to the European definition, that is the key issue in deciding whether a public sector organisation is included in the public sector borrowing requirement. I was told that if the organisation can go bust, it is, in theory, not part of the PSBR; if it cannot go bust, it is part of the PSBR.

The captain who is in charge of the Hamburg port authority has a very clear idea of where he wants to take it. The port authority is already the second largest in Europe, and Bremen port—in Bremerhaven, which is a sister town to Bremen—is the fourth largest after Antwerp. The list is Rotterdam, Hamburg, Antwerp and Bremerhaven.

**Susan Deacon:** I have two addendums. In the paper for today's meeting, reference is made to our being struck by the more "arms length" nature of Government institutions. I would add that not only was the approach more at arm's length, but we identified that there was consistently a lighter touch in a lot of the decision making in both city states, to give them their correct title. Although infrastructure projects and so on were often held up for some considerable time in what was described as court procedures, we got the sense that—we did not drill into the detail—a lighter touch was taken in the public policy-making processes when decisions were made. Those processes were the equivalent of the different levels of our planning system.

I note that point because we kept on coming back to it. It struck me that the way in which decisions were made on vital projects, such as the new underground link to a major harbour regeneration project in Hamburg, was a wee bit different from the way in which we decide about developments such as the Edinburgh tram project. It is worth bearing in mind some of the procedural issues.

The final issue that I will raise relates to the consensus shared by the three of us who were in the delegation. We took part in a radio discussion on the matter 24 hours later when we got back. Members will recall that one of the main reasons why we chose to visit Hamburg and Bremen was to investigate city regions or—as they are increasingly being referred to in the literature and the thinking—metropolitan regions. Given our observations about scale, critical mass, collaboration and so on, and the importance—as identified in Executive policy—of city regions as drivers of economic growth, it was heartening that the day after we came back a key announcement was made about further collaborative work that is to be done between Edinburgh and Glasgow. I am not saying that that is the be-all and end-all or that the metropolitan region begins and ends at the boundaries of Edinburgh and Glasgow—we need to create even greater critical mass beyond that. However, we should welcome that announcement—I welcome any greater collaboration between those two cities. Given their scale in comparison with that of some of areas that we have examined, the 40 miles that lie between them and the population sizes of both cities, we must pull together and extend bridges—

literally and metaphorically—more widely across the country.

**The Convener:** Absolutely. The final point is that both state Parliaments meet only twice a month and the members are part time and have other jobs, but that is a matter for another day.

**Christine May:** I am happy to give you all the encouragement that you need to seek a seat in one of those Parliaments—I would even come and campaign.

I have one other question. Susan Deacon referred to the relatively high levels of structural unemployment—the figure mentioned was 19 per cent. Did you get any feel for what was being done either to reduce the figure—particularly the figure for the long-term unemployed—or to prevent others from falling into the same trap and becoming unemployed?

**The Convener:** Not really; specific measures were not mentioned. There was a concern about the political stalemate in Berlin and a feeling that because of the scale of the problem throughout the country, a federal rather than state Government solution will be needed.

**Susan Deacon:** There are many interventions, but the convener is right—we did not major on that subject although it provided the context for the matters into which we drilled in more depth. In so far as the subject was touched on, we learned that there are many programmes and interventions that we would recognise from this country about a decade ago. At city and state levels, there are targeted training programmes and so on but, as Alex Neil said, we did not spend much time on that.

**Christine May:** We came back from Finland and Sweden feeling the same—we had no feel for what they were doing in that area.

**Mr Stone:** Particularly in Finland, we heard that despite worryingly high structural unemployment, certain job categories could still not be filled. People were wondering, "Shall we use the Russians? No, not them; we'll get the Poles and people from the Baltic states." Did you experience that in Germany?

**Susan Deacon:** Yes. That is why I said that we must recognise the extent to which the global knowledge economy is fighting over skilled and talented people—period. That is almost irrespective of the wider macroeconomic conditions that exist.

One point that we did not touch on in our report, although I have no doubt that it will be in the copious records that the clerks kept, is the imaginative things that are being done to attract people to come and live in particular areas. In Bremen, for example, we stumbled by sheer

accident on some interesting and practical work that was being done to support people relocating into the area. Competing for skilled and talented people is a headline message that we must continually address.

**The Convener:** And we saw the benefits of being a free state.

**Susan Deacon:** You should clarify what you mean by that in this context.

**Christine May:** He means within a larger union, of course.

**The Convener:** That completes a useful debriefing.

**Mr Stone:** One point has just flashed into my mind. Especially in Sweden, we were almost asked, "Where is Scotland?" which was a little disconcerting. That gave us the strong message that—by God—our marketing is nowhere. It was almost an embarrassment. Scotland did not register on the radar. They knew about tartan and bagpipes, but that was it.

**Christine May:** Tartan, whisky and bagpipes were the things that they knew about.

**Shiona Baird:** That flies in the face of what I have heard from VisitScotland, which is targeting the Scandinavian countries because Scotland is seen as a cheaper destination there.

**Michael Matheson:** It is obviously not working.

**The Convener:** That is a debate for another day. We have heard the feedback from the visits, which was the purpose of that agenda item.

The paper that we received also outlines briefly where we go from here with the rest of the inquiry. We will be in Thurso next week with the chief executives of the two enterprise agencies; the following week we will have the minister; and after that we will have a blue-skies session with Wolfgang Michalski, to start mapping out our report.

## St Andrew's Day Bank Holiday (Scotland) Bill: Stage 1

14:45

**The Convener:** Item 4 is the St Andrew's Day Bank Holiday (Scotland) Bill. I welcome Dennis Canavan to the committee to discuss the bill. A factual paper about where we are has been circulated.

After the Parliament voted to refer the bill back to the committee, I arranged a meeting with the minister responsible, Tom McCabe. With his agreement, I invited Christine May and Dennis Canavan to the meeting, the purpose of which was to clarify the issues, so that the committee could take matters forward knowing the Executive's policy on the bill and on related matters. For example, given the reference to bank holidays in the Work and Families Bill that has been introduced at Westminster, I wanted to clarify with the Executive what status that bill would have in Scotland and whether it would have an impact on Dennis Canavan's bill. However, Christine May could not make the meeting, so it had to be postponed and has yet to be rearranged. That is where we are.

In my view, we need to clarify some issues with the Executive before we will be in a position to decide how to take the bill forward.

**Dennis Canavan (Falkirk West) (Ind):** I thank the convener for the opportunity to address the committee meeting. I also thank the clerks for the briefing paper that has been circulated.

First, let me emphasise the fact that, contrary to some media reports, the bill has not been killed off and is still very much alive. I intend to make every effort to keep the bill alive and to see it reach the statute book. I am hopeful that the committee will assist me in my efforts, given its previous unanimous decision to support the general principles of the bill.

Let me comment on the clerk's briefing paper. Paragraphs 4 to 6 confirm that it is a "requirement"—not an option—for the committee to prepare a further report that will be debated in a meeting of the Parliament at a date that is to be decided. Paragraph 10 puts certain questions that need to be considered about how best to proceed with taking additional evidence if further evidence is thought to be required.

One piece of additional written evidence is the letter that I received from the Presiding Officer. Although the letter was addressed to me, I understand that it was also sent to the committee clerk, as it states:

"Copies of this letter go to the Minister for Parliamentary Business, Stephen Imrie, the Clerk to the Enterprise and Culture Committee, and Susan Duffy, Clerk to the Finance Committee."

In effect, the letter states that a financial resolution is not required for the St Andrew's Day Bank Holiday (Scotland) Bill. That is an important point, because allegations were made that huge increases in public expenditure would arise from the bill. The Presiding Officer's letter corroborates my previously expressed view that the bill per se does not involve any significant increase in public expenditure from the Scottish consolidated fund.

On the issue of additional oral evidence, I suggest that the committee has already received evidence from a wide spectrum of different individuals and organisations. The one serious gap in the committee's evidence taking was that it did not hear from the Executive. Despite the fact that we allowed 15 months between the start of the consultation process and the stage 1 debate, the Executive was significant by its silence for most of that period until, at the 11<sup>th</sup> hour, the committee received a letter from Tom McCabe. Subsequently, ministerial statements were made by Tom McCabe and George Lyon during the stage 1 debate. I respectfully suggest that, at an early opportunity, the committee should invite Tom McCabe to give oral evidence on behalf of the Executive. I understand that the agenda for next week's meeting has already been decided, so perhaps the committee could hear that evidence the following week, on 22 November.

I also suggest that the committee compiles a report in time for a parliamentary debate on or around St Andrew's day, which would be topical and would encourage more public interest in the celebration of St Andrew's day. In summary, I am suggesting that the committee has one session of oral evidence with Tom McCabe, with a view to finalising a report before the end of the month.

**The Convener:** Okay. Thank you, Dennis.

**Mr Stone:** I am afraid that I have to disagree with Dennis Canavan's last point about publishing a report by St Andrew's day. The evidence that was furnished to us by the banking sector—the sabre rattling about bank charges, payments being delayed and all that—sat unhappily in my mind with my understanding of a global banking economy, and I made that point in committee. I do not know whether colleagues agree with me but, if possible, I would like to haul those chaps back to go over what they said again. I have further questions to ask them—let us put it that way. To rush the report for publication before 30 November would not be to give it the attention that I would want to give it.

**Michael Matheson:** Picking up on the point that the convener and Dennis Canavan have made, I

think that our first port of call must be to get evidence from the minister who will handle the bill. We must get back to first base, given that the matter has been referred back to the committee. There is no point in our producing a further report if the Executive is just not going to support the bill—full stop. That would put us in a position of reinventing what we have already gone over, and it would be as well for us to publish our previous report again. Before we go any further, we must clarify exactly what concerns the Executive has and see whether we can address them in any further evidence that the committee takes.

If the minister says that the Executive is not interested in the bill and will not support it in any form, what further evidence could the committee take to change the Executive's mind on the issue? We must clarify where the Executive is on the issue, first of all, to see whether we can address its concerns. If it would prefer another bill, we must find out what that bill would be like and whether the existing bill could be amended to accommodate that. Once we know where the Executive is at, we will be in a better position to decide how we should take further evidence, if necessary.

**Susan Deacon:** I express a view that I expressed at various stages when we were considering the evidence. I am genuinely disappointed that, in an area where there are some shared aspirations, we have not quite managed to come together and think about ways of achieving those aspirations. I agree that we should ask the minister to give evidence to us. That was one of the many things that, had we had more time earlier, we undoubtedly could and should have done. However, the idea that this should be some exercise in persuading the Executive or finding out which way it is going to jump just does not resonate with me. We should be trying to seek solutions to how we should celebrate St Andrew's day.

As I have said from the outset, I have never had any difficulty with that general idea, although I have continuously struggled with the questions of whether legislation is necessary and what the bill would do. The Parliament must be careful about the use of primary legislation. We must be confident and content that we are putting on the statute book legislation that will be effective. It was only at the end of the two evidence sessions that we had on the bill that it became clear to the committee—we discussed the matter openly—that the bill would not result in a holiday actually happening. I could not take part in the debate in the chamber, as I had lost my voice—many of you will be disappointed to hear that I have got it back again—but if I had had the chance to do so, I would have made that point.

I listened to the debate carefully and heard many members make different claims about what the bill would and would not do. We had only just got to the stage of recognising the limitations of the bill. The policy memorandum to the bill lists three objectives, the first of which is to establish a bank holiday on St Andrew's day. At one level, that is accurate, but what we established clearly in committee is that even the banks would not necessarily go on holiday. The public understanding of what establishing a bank holiday means in practice is an issue. I am not going to dwell on the matter now, but the other two policy objectives that were listed are certainly open to debate. There is definitely not a direct cause-and-effect relationship between putting the bill on the statute book and achieving those two objectives, although that is not to question the merits of those objectives.

The simple point that I want to make, perhaps more in hope than in expectation, is that we should try to examine how we come up with solutions and make progress on the issue, rather than batting it around and pointing fingers. There was certainly an awful lot of that in the parliamentary debate.

My final comment is a procedural one for the future. A lot of stuff was discussed in our wash-up sessions in committee to which, because it was discussed in private session, we could not really make reference in full parliamentary exchange, in the spirit of the rules and procedures. I think that there is a difficulty with that. When I was a member of the Procedures Committee, I argued in favour of discussing draft reports in public. I remember that Karen Gillon and I disagreed on that point in the chamber in the subsequent parliamentary debate. For me, this is a case in point. I would have liked our first discussion on the draft report—perhaps not the later discussions about dotting the i's and crossing the t's—in which people shared their views, thoughts, anxieties and concerns, to have been in public and put properly on the record, rather than the whole thing fracturing into a series of claims and counterclaims and party politicking, as happened in the parliamentary debate.

Our job has to be to get good legislation on the statute book, so my exhortation is this. Let us, by all means, get the minister in front of us, but let us not do things in haste, because we want to get things right. Let us also try to ensure that our questions for whomever we call to give further evidence are solution oriented. The big challenge set by the Parliament was not just about giving views on Dennis Canavan's bill but about finding ways to celebrate St Andrew's day. We did not get far in asking witnesses that wider question and inviting their positive suggestions. We discussed the matter only in terms of picking away at the

specific proposal in the bill that Dennis Canavan had helpfully put before us, and I am not sure that that is where future deliberations should begin and end.

**Karen Gillon:** I have come to the matter from the outside looking in and have found the debate somewhat difficult. I do not think that parliamentary committees should find themselves in such a position and I believe that there are lessons for everybody to learn from how the bill has proceeded.

I am drawn to the way forward that the convener has suggested, which is that he, the deputy convener and Dennis Canavan meet the Minister for Finance and Public Service Reform and try to gauge where he is coming from. I assume that the committee has taken quite a large body of evidence in the past.

**Michael Matheson:** Not really.

**Karen Gillon:** You have not?

**Michael Matheson:** Not a tremendous amount.

**Karen Gillon:** I am not necessarily convinced that there would be no financial implications from Dennis Canavan's bill. Whatever happens, a bill that will introduce an additional public holiday will result in a price to the public purse. If we enact legislation, we will be expected to provide what is set out in that legislation to the people whom we employ. I am not convinced that there would be no financial implications.

I am interested in finding out whether the clerks have stripped away any of the evidence that we have received to see what we have and what we do not have and where the gaps are.

**The Convener:** The committee did not take much evidence because the bill had already been round the houses twice as a result of a change in procedure. Dennis Canavan had already undertaken extensive consultation and, because of the changes in procedures, had to go out to consultation a second time. By the time we got the bill, that was the third time there had been consultation on it. I say that so that you are aware of why we did not take more evidence.

15:00

**Karen Gillon:** With respect, convener, there is a difference between consultation and the taking of evidence by a parliamentary committee. In a consultation, the answer depends on the question that is asked. We have a duty to explore the issues to see whether everything ties up or there are gaps.

Parliament has made its views known and we have to take cognisance of that; it would also be useful for us to get an idea of where Mr McCabe

thinks we should be going. To find that out, it might be productive for there to be a meeting between him and the convener and deputy convener. However, I am open to the idea that the committee should have a public meeting as long as that meeting is productive and does not become a slanging match between different sides of the argument.

**Christine May:** I am grateful for your clarification, convener, of paragraph 7 of EC/S2/05/22/2 because when I read it, I thought that the minister had made an arbitrary decision to cancel the meeting.

I am also grateful that we have more time. The main questions that arose—to do with whether the bill would do what it said it would do—came very late in the day. For various reasons, we did not have time to discuss them. We now have an opportunity for the convener, me and Dennis Canavan to meet the minister. We could then consider whether the committee should take evidence.

In the light of what has become clear, we should also review the evidence that we have already taken. What has become clear is that, even if we legislated for a bank holiday, it would not automatically generate a day off for people—nor could it, because we do not have the power to do that.

We should, having reviewed the evidence in the light of such considerations, consider whether we wish to invite back the people who have already given evidence, and whether we wish to take evidence from other people. The big thing is that more time has been bought to consider the matter. I am not suggesting that we will have to spend a lot of time taking evidence, but we will want to ask specific questions; hearing from the minister will be the first step.

**Shiona Baird:** Yesterday, I visited a primary 6 group at St Joseph's RC School in Aberdeen to find out about the school's outreach programme. The pupils did a presentation on the St Andrew's day bank holiday and raised all the issues that we have talked about. The overwhelming result—obviously—was that the pupils thought that we should have a bank holiday to represent Scotland's culture. It is interesting that the idea is even being talked about at that level. I thought that the Executive intended to come forward with its own ideas, but perhaps I misunderstood.

**The Convener:** We have to separate legislative from the non-legislative options. I understand that the Executive will not make any legislative proposals but will, in time, come forward with non-legislative proposals on how we can celebrate St Andrew's day more effectively.

**Shiona Baird:** Yes, we will have to explore that.

I was interested to note on page 51 of the draft budget paper that we were given—oh, the paper is private.

**The Convener:** It is okay. I do not think that there has been a major breach of the rules.

**Shiona Baird:** I am sorry.

**Michael Matheson:** We missed it.

**Shiona Baird:** The paper says that specific work to promote equality includes continuing to drive forward the First Minister's St Andrew's day vision, building on the "one Scotland" theme of St Andrew's day. The Executive has a clear view of how St Andrew's day should be celebrated. If we are to make progress, we should hear more about that.

I am sorry if I breached any rules there.

**The Convener:** No problem.

**Mr Stone:** I have two quickies. First, further to what Shiona Baird said, there is a world of difference between the possible proposals that the Executive might come back with. For example, they might be to light a couple of bonfires and set off a few fireworks, or they might really move us towards a St Patrick's day type of celebration. Secondly, although we owe it to Dennis Canavan to say that we are not deliberately kicking the bill into grass so long that it will never be seen again—of which we have been accused in some quarters—we have a job of work to do and we must complete it thoroughly and conclude accordingly. My point is that the end of this month is far too soon to complete the sort of work that I want to do.

**The Convener:** I will try to sum up the situation. First, the specific commitment that the resolution that Parliament passed places on us is that we prepare a report for Parliament on the general principles of the bill. We cannot take final decisions on how much additional evidence we require—if any—from whom we should seek it, or what it should be about until we hear the missing link, which is the evidence from the Executive. Various issues need to be clarified, in relation both to the proposed legislation and, as Susan Deacon said, to the non-legislative package that the Executive will propose.

I suggest that, subject to our initial meeting with Tom McCabe, we invite him as the minister to come and discuss the issue openly and not in an adversarial way, but in a constructive way so that we can clarify the issues. That would allow him to explain points that he did not explain fully in the debate. We can then agree a way forward. We should have that meeting as soon as possible, although we cannot yet commit to a specific date because the date will depend on the minister's

diary. I hope that, like us, he will want to make progress. Is that suggestion agreeable?

**Dennis Canavan:** I will go along with that suggestion. On the timetable, normally when a bill is referred to a committee for consideration, a timetable motion is put before Parliament saying that the committee must report back by a certain date. I understand that discussions will take place soon between the Minister for Parliamentary Business's office and the committee clerk about your preferred date for finalising the report.

**The Convener:** Yes. We will do that when we are clear about how much time we require before we report back to Parliament. That is one reason why we want to meet Tom McCabe—we want to clarify the timescale.

**Dennis Canavan:** Are you suggesting that you could invite Tom McCabe to give oral evidence to the committee, rather than have a private meeting with him?

**The Convener:** A private meeting would be useful to clarify some of the issues. To return to Susan Deacon's point, I do not want to conduct the matter behind closed doors; I want it to be as open as possible. In that private meeting, we will invite the minister formally to give evidence to the committee on behalf of the Executive as soon as possible.

On another of Susan Deacon's points, I am happy for the committee to agree now to discuss our report—when we eventually come to writing it—in open session, at least initially. Given the history, there are many advantages to a discussion of the report in open, rather than closed, session.

**Susan Deacon:** On a separate point, the question about the financial memorandum must be clarified; obviously, we need to see the correspondence that Dennis Canavan has had with the Presiding Officer. That debate is inextricably linked with the fundamental debate about what the bill would or would not achieve. The matter is circular, but we must first be clear what the bill would achieve and thereafter we must be clear whether there would be cost implications.

**The Convener:** We will get—we probably should have had—a copy of the Presiding Officer's letter and it will be circulated to the committee. Do members agree that the next step is to have a private meeting with Tom McCabe as soon as possible and, in the meantime, to invite him to give oral evidence to the committee? We will try to move the process along as quickly as possible.

**Members indicated agreement.**

**The Convener:** Do members also agree to hold our discussion of our draft report—certainly the initial discussion—in public?

**Members indicated agreement.**

**The Convener:** Before we move into private session, I congratulate Mr Fraser on becoming deputy leader of the Scottish Conservative party.

**Murdo Fraser (Mid Scotland and Fife) (Con):** Thank you very much, convener.

**Karen Gillon:** We should commiserate.

**The Convener:** I said "congratulate", not "commiserate". My only recommendation is that you should be careful about to whom you send e-mails in the future.

15:10

*Meeting continued in private until 16:23.*



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

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, Scottish Parliament, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

**Tuesday 22 November 2005**

#### PRICES AND SUBSCRIPTION RATES

##### OFFICIAL REPORT daily editions

*Single copies: £5.00*

*Meetings of the Parliament annual subscriptions: £350.00*

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

##### WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

*Single copies: £3.75*

*Annual subscriptions: £150.00*

Standing orders will be accepted at Document Supply.

Published in Edinburgh by Astron and available from:

**Blackwell's Bookshop**  
53 South Bridge  
Edinburgh EH1 1YS  
0131 622 8222

**Blackwell's Bookshops:**  
243-244 High Holborn  
London WC1 7DZ  
Tel 020 7831 9501

All trade orders for Scottish Parliament documents should be placed through Blackwell's Edinburgh

**Blackwell's Scottish Parliament Documentation**  
Helpline may be able to assist with additional information on publications of or about the Scottish Parliament, their availability and cost:

**Telephone orders and inquiries**  
0131 622 8283 or  
0131 622 8258

**Fax orders**  
0131 557 8149

**E-mail orders**  
[business.edinburgh@blackwell.co.uk](mailto:business.edinburgh@blackwell.co.uk)

**Subscriptions & Standing Orders**  
[business.edinburgh@blackwell.co.uk](mailto:business.edinburgh@blackwell.co.uk)

**RNID Typetalk calls welcome on**  
18001 0131 348 5412  
Textphone 0845 270 0152

[sp.info@scottish.parliament.uk](mailto:sp.info@scottish.parliament.uk)

All documents are available on the Scottish Parliament website at:

[www.scottish.parliament.uk](http://www.scottish.parliament.uk)

**Accredited Agents**  
(see Yellow Pages)

and through good booksellers

Printed in Scotland by Astron