

# **ENTERPRISE AND CULTURE COMMITTEE**

Tuesday 31 October 2006

Session 2

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# CONTENTS

Tuesday 31 October 2006

	Col.
<b>BUDGET PROCESS 2007-08</b> .....	3395
<b>PETITION</b> .....	3423
National Bird (PE783).....	3423

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## **ENTERPRISE AND CULTURE COMMITTEE**

### **25th Meeting 2006, 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)

David McLetchie (Edinburgh Pentlands) (Con)

\*attended

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

Mark Batho (Scottish Executive Enterprise, Transport and Lifelong Learning Department)

Graeme Dickson (Scottish Executive Enterprise, Transport and Lifelong Learning Department)

David Lee (The Scotsman)

Chris McCrone (Scottish Executive Finance and Central Services Department)

Duncan Orr-Ewing (RSPB Scotland)

James Reynolds (RSPB Scotland)

Nicol Stephen (Deputy First Minister and Minister for Enterprise and Lifelong Learning)

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

Stephen Imrie

#### **SENIOR ASSISTANT CLERK**

Douglas Thornton

#### **ASSISTANT CLERK**

Nick Hawthorne

#### **LOCATION**

Committee Room 5



# Scottish Parliament

## Enterprise and Culture Committee

*Tuesday 31 October 2006*

[THE CONVENER *opened the meeting at 14:00*]

### Budget Process 2007-08

**The Convener (Alex Neil):** As it is nearly 1 minute past 2, we will begin. I welcome everybody to this meeting of the Enterprise and Culture Committee. I ask everybody to switch off their mobile phones. Let us hope that no fire alarms take place this week. I have apologies from Michael Matheson, who will definitely not attend, and from Susan Deacon, who will be late or unable to attend.

For agenda item 1, I welcome Nicol Stephen, the Deputy First Minister and Minister for Enterprise and Lifelong Learning. I have organised the evidence in two panels: the first panel will deal with the enterprise budget and the second panel will deal with the lifelong learning budget. I did that because I thought that it would make the discussion on each budget more focused and because lifelong learning sometimes becomes the poor cousin of enterprise in discussions. I wanted to ensure that lifelong learning had its day in court.

I ask the minister to tell us about the enterprise budget, after which we will ask questions.

**The Deputy First Minister and Minister for Enterprise and Lifelong Learning (Nicol Stephen):** I know that the committee has a busy and important agenda, so I will keep my remarks brief. I thank the committee for giving us the opportunity to present evidence on the 2007-08 budget. Members will know that Philip Rycroft is the head of the Enterprise, Transport and Lifelong Learning Department. For this part of the discussion, Graeme Dickson is the key official as head of the enterprise and industrial affairs group in the department. Mark Batho will replace Graeme Dickson for the second panel, as he is the head of the lifelong learning group. Chris McCrone is the head of the enterprise and lifelong learning finance team.

As always, some changes have been made to the rules that are fixed by the Treasury, which makes some of the presentation of the budget more complex than I would otherwise wish. However, in the main, the budget was fixed as part of the 2004 spending review process. No significant changes have occurred, so we are

presenting a budget that should be well known to the committee.

The key issue in relation to enterprise is that we have agreed Scottish Enterprise's budget for 2007-08. On 15 June, I wrote to tell the convener that I was still considering what assistance might be possible for the non-cash element of Scottish Enterprise's budget for next year. I have now agreed to make available to Scottish Enterprise an additional £25 million to cover that non-cash element, which will put Scottish Enterprise in the position next year that it has been in this year.

That signals our intention that the £25 million non-cash element should be a continuing commitment that is very likely to be included as a baseline uplift in the budget under the new spending review, but I cannot make that commitment today, because we have not had that spending review. We have put the additional £25 million for the non-cash element into Scottish Enterprise's budget for this year and next year. Given the pressures that were on that element of the Scottish Enterprise budget and the fact that Scottish Enterprise consistently overspent that element or had inadequate non-cash cover, as we have discussed, it makes sense to all of us and is prudent to include that additional £25 million.

I have nothing to add, but I will be pleased to take questions on any aspect of the budget.

**The Convener:** Thank you. Will you clarify that the resource accounting and budgeting element in Scottish Enterprise's budget this year and next year will be about £34 million or £35 million?

**Chris McCrone (Scottish Executive Finance and Central Services Department):** The RAB element will be £34 million this year and £44 million next year. You will notice that an extra £10 million of non-cash costs have been shown for 2007-08. That will allow Scottish Enterprise to use £10 million of its reserves. That has been transferred from the grant-in-aid section.

**The Convener:** So the RAB element is about £35 million and the amount from the reserves is £10 million.

**Chris McCrone:** Yes.

**The Convener:** I presume that a more realistic RAB allocation than the previous one will be agreed with Scottish Enterprise in the new spending round.

**Nicol Stephen:** That is the intention. We cannot commit to that now, because who knows which ministers will be involved.

**The Convener:** And which party.

**Nicol Stephen:** Indeed. I hope that there is cross-party agreement that the approach is

sensible. The issue has been of concern to several members of the committee.

**Christine May (Central Fife) (Lab):** Good afternoon. I seek your comments on a matter that I raised last week with the chief executive of Scottish Enterprise: the intentions with regard to Scottish Enterprise's training activities. First, do you expect that the training budget for this year and next year will remain broadly as it is or will there be some additional funding?

Secondly, concern has been expressed to me and other MSPs that Scottish Enterprise intends to tender the training contract as a single contract for Scotland. Will you comment on that?

**Nicol Stephen:** I would oppose that. As I understand it, Scottish Enterprise made it clear last week that there is no intention to proceed with a single tender. The broad range of training providers that we have in Scotland is a strength. We have a range of providers that provide various types of training at various levels in various geographical areas. That seems appropriate.

It was important to protect the funding and the number of places for the modern apprenticeships scheme during Scottish Enterprise's period of budget difficulty. I know that some areas of training funding and training provision were outside the core partnership agreement commitment to 30,000 modern apprentices throughout Scotland. There has been pressure on those budgets and some unfortunate consequences.

I hope that, because of the tight discipline on the Scottish Enterprise budget that has been in place for the first six months of the year, some resources can be freed up in the second part of the year and into next year to allow Scottish Enterprise to make some sensible decisions about the overall training budget and training provision. That should help not just training providers but the young people and others who seek the right skills for the needs of the economy. From my discussions with Scottish Enterprise, I understand that that should be the case. That is a positive development. Given the circumstances in which Scottish Enterprise found itself and the budget difficulties that it had, some tough decisions had to be made.

**Christine May:** I know that my question strayed somewhat into the next topic, but it is of sufficient strategic importance to be dealt with in the context of the overall budget.

My second question also picks up on a matter that I raised last week. What is your vision for the metropolitan regions strategy? How will it work, particularly in peripheral areas such as my constituency?

**Nicol Stephen:** As a representative of the city of Aberdeen, which at one point was not part of the proposed triangle of economic influence in Scotland—the triangle was starting to be described as Glasgow to Edinburgh to Dundee—I know exactly how you feel.

It is important that all areas within Scottish Enterprise's responsibility feel that they will benefit from the new metropolitan regions strategy, which should be about regions as well as metropolitan areas—it is important that it is described in that way. The switch to the six target sectors is an important change of emphasis in Scottish Enterprise. There will be industry sectors that feel left out, so it is even more important that a regional approach is developed through the local enterprise companies to reassure important industries such as aeronautics, construction or the creative industries that Scottish Enterprise, despite its metropolitan regions strategy and its emphasis on six key target sectors, will continue to support all businesses and industries. A good example of that is support through the business gateway, which ensures that new entrepreneurs and business start-ups are encouraged and that good advice is given to all businesses in Scotland when starting up and developing.

A careful balance is needed and it is important for Scottish Enterprise that Sir John Ward and Jack Perry are given strong support in their new strategy. You can see the potential and the tangible benefits of that strategy, which is starting to pay off with developments such as the Wyeth deal in the life sciences sector. It is important that not only the cities of Scotland but the towns and rural areas continue to be strongly supported. There are some good examples in life sciences, energy, tourism and other key sectors of some of the strongest businesses lying outside our cities.

**Christine May:** I share your pleasure in the Wyeth deal, which is an excellent deal for Scotland. Can you give the committee an indication of how many jobs that deal is supporting?

**Nicol Stephen:** The number of new jobs that are being created initially is relatively small—Graeme Dickson might have the exact figure—but the deal's potential for future development is significant and exciting. The co-operation between Wyeth and Scottish Enterprise, all parts of the national health service in Scotland and our universities is encouraging. Some new jobs are being created, particularly in Dundee.

**Graeme Dickson (Scottish Executive Enterprise, Transport and Lifelong Learning Department):** I am speaking off the top of my head and trying to remember the exact figures. There will be about 15 jobs with the company and additional researchers will be employed, so there

will be about 50 people employed in Dundee initially.

**Christine May:** Thank you. I would be happy to have a briefing note on that.

My final question leads on quite nicely from the answers that you have given, minister. There was considerable discussion with Scottish Enterprise national and with you about the division of the budget between headquarters activities and the localities. Given what you have said about the importance of the business gateway, are you content that that balance is now as good as it can get, or are you looking for further transfer of activities from the centre out to the localities?

**Nicol Stephen:** As you know, I strongly support the local enterprise companies and the role of business leaders in their local areas and on the boards of local enterprise companies. I wanted to ensure that there continued to be genuine decision making at local level and that there was not a move to centralise decision making in Scottish Enterprise, so I am pleased with the proposal that was eventually—after much discussion and consultation—put to me as the minister responsible. I am pleased that there will continue to be a strong, important role for local enterprise companies.

I should emphasise that in no way did I impose a decision on Scottish Enterprise. To suggest otherwise would be wrong and misleading. I am pleased that, having taken the views of the chairs of local enterprise companies, MSPs and other people around Scotland, the board of Scottish Enterprise came forward with the structure and proposals that it did. Now, we need to allow an opportunity for the new structure to work effectively for the targeted strategy on the six key sectors so that results can be delivered and progress can be made with the new metropolitan region structure.

14:15

This has been a difficult time for Scottish Enterprise, as everybody on the committee realises. I believe that Scottish Enterprise should now have strong cross-party support to ensure that there are more projects like those that the Wyeth deal delivered and that we make further progress in key sectors such as energy, life sciences and tourism. There are great opportunities out there. The Scottish economy is performing well at present and, with Scottish Enterprise given the opportunity, I believe that it can perform even better.

**Christine May:** So you think that there is still some scope for discussion about what lies at the centre and what might happen in the regions.

**Nicol Stephen:** Scottish Enterprise had to make some significant decisions about the devolved budgets that were available to the local enterprise companies because of the overspend. As I mentioned earlier in relation to training budgets, I hope that budgets can be freed up and that things can return to a more normal situation. That might involve some adjustment to the devolution of financial responsibilities. However, such decisions will be very much for Sir John Ward and Jack Perry to take, rather than for me as Minister for Enterprise and Lifelong Learning to impose.

**Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD):** I thank the minister and his officials for coming today. It will come as no surprise that I wish to move a bit further north, to the economy of Caithness and parts of Sutherland, post-Dounreay, as the facility is now running down. There was a useful debate on the Caithness economy last week, and I thank the Deputy Minister for Enterprise and Lifelong Learning and the officials involved for what I considered to be a useful and constructive response.

It was recently announced that Highlands and Islands Enterprise intends to devote about £12 million, plus four dedicated jobs, to looking into the situation and replacing the lost jobs in the future. I have two questions. First, how are your officials co-ordinating with officials in other bodies such as the Nuclear Decommissioning Authority and the United Kingdom Atomic Energy Authority? Those other players in the field have big money, including structural funding, and it is joint working that will do the trick. Could you give us a flavour of the discussions that are being undertaken?

**Nicol Stephen:** Highlands and Islands Enterprise has had lead responsibility and has been playing the most significant role. That is as it should be. However, you are right to say that there are a number of United Kingdom bodies and agencies involved. Where appropriate, the Enterprise, Transport and Lifelong Learning Department will get involved in discussions with UK Government bodies.

I strongly agree that the best way to deliver positive results for the Caithness and Sutherland economy is through taking a partnership approach, sharing funds and working together. If there were any difficulties with co-ordination, then I, as Minister for Enterprise and Lifelong Learning, and officials in the Enterprise, Transport and Lifelong Learning Department would be prepared to get involved to ensure that the united task force—which I believe is so important—works in a way that is as effective and well co-ordinated as possible.

**Mr Stone:** That neatly takes me to my second question—you have already hinted at the answer.

Given that individuals, including me, the local MP and others, have been working on the Caithness socioeconomic forum to examine what has been happening and to give pointers for the way ahead, would you be amenable to coming north to a conference at which the proposals will be outlined? If that is too difficult for you, would you be amenable to members of the forum coming down to your office, here in Edinburgh or in Glasgow, to discuss the findings and the current thinking?

**Nicol Stephen:** Of course. I am sure that I could visit the area, depending on the timing. If, for any reason, that is not possible, I am willing to meet in Edinburgh the senior officials and lead politicians who are involved in that important project.

**Mr Stone:** It is the group's intention—although not yet formalised—to invite Alistair Darling MP north to give his Westminster response. Perhaps your two offices could co-ordinate on that front.

**Nicol Stephen:** I am sure that even that might be possible.

**The Convener:** I remind members that we are discussing the enterprise and culture budget.

**Mr Stone:** I am single-minded—

**The Convener:** Absolutely.

**Murdo Fraser (Mid Scotland and Fife) (Con):** Good afternoon, minister. I take us back to the Scottish Enterprise budget and the comment that you made at the start of the meeting about the £25 million non-cash resource and an approximate £9 million cash overspend. What impact has that overspend had on the other budgets in your department?

**Nicol Stephen:** We have had to manage the other resources in the department carefully. I referred earlier to my letter to the convener of 15 June, in which I made it clear that the additional non-cash allocation would be

“met from resources available to the Department as a result of past underspend. No budgets or planned activity have been cut in order to allocate funds to Scottish Enterprise. Underspend of the Department's total budget arises in large part from demand led activity where the budget allocated on the basis of estimated demand may exceed actual demand.”

I went on to say in the letter:

“This includes historic spend on programmes such as the cost of student loans, Regional Selective Assistance, Individual Learning Accounts and the depreciation provision for the trunk road network.”

In the letter, I tried to give as clear an explanation as I could of our approach, which has ended up reducing the flexibility in the departmental budget to cope with emerging pressures to carry out the normal active management of the budget as the year progresses.

**Murdo Fraser:** Following your discussions with Scottish Enterprise since the end of the past financial year, are you confident that it now has its financial management in such a state that we will not see a repeat this year of what happened last year?

**Nicol Stephen:** Yes. There is regular and close contact between officials from the enterprise department and senior officials from Scottish Enterprise. There have been significant changes to Scottish Enterprise's budgeting and the recommendations from the consultants' reports are being implemented in full. We continue to monitor that. All the indications are that the Scottish Enterprise budget is back on a solid track.

**Murdo Fraser:** You are happy to take personal responsibility for any overspend in the current financial year.

**Nicol Stephen:** I would be very disappointed if there were an overspend in the current financial year.

**Murdo Fraser:** I will ask a more general question about other aspects of the budget. You will appreciate that committee members have responsibility for overseeing the budget and looking ahead to the coming year and beyond. Do you not agree that the committee would have been assisted in its deliberations by having sight of the Howat report, which was commissioned by the Executive and presented to ministers? Despite promises from the Minister for Finance and Public Service Reform that we would see the report, it has not been made more widely available and we understand that it will not be published until September 2007.

**Nicol Stephen:** As I mentioned in my opening remarks, this is very much a steady-state budget; it is the budget that the committee has been aware of from previous years because it follows from the 2004 spending review. It should therefore contain no significant surprises. The Howat report is intended to inform Executive ministers—whoever they will be—for the spending review covering the period beyond 2007-08. I therefore do not believe that the report affects the committee's consideration of the 2007-08 budget this afternoon.

**Murdo Fraser:** Have you seen the Howat report?

**Nicol Stephen:** The report has been made available to all ministers. I have not read the full document, but I have seen a copy.

**Murdo Fraser:** Is there anything in it that has led you to conclude that it should not be published?

**Nicol Stephen:** I support the view of other ministers, which has been explained to you and to



other MSPs. The report will be published in due course. That is appropriate, because it focuses on the period after next year's election and on the new spending review allocations for the budget period beyond 2007-08.

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

On previous occasions, I have raised questions about sustainability, which is a cross-cutting issue, and you supplied me with a very full written response. However, I gather that the Finance Committee still finds it quite hard to assess the budget allocation on this issue. How would you answer that concern?

**Nicol Stephen:** I am sorry—what particular concern?

**Shiona Baird:** On the whole business of applying a direct budget amount to the issue of sustainability.

**Nicol Stephen:** In all cross-cutting issues, there are still challenges in ensuring that the different departments operate their budgets in a genuinely integrated way. All MSPs would want to ensure that there is a commitment to sustainability in all Executive departments. No one would suggest that one department alone could deliver the strength of commitment to sustainability that MSPs desire.

We work hard on sustainability and the other important cross-cutting issues in joint Cabinet sub-committees, which are good forums for ensuring integrated working. However, I accept that, for the sustainability sub-committee, there could perhaps be better reporting on the different departmental cross-cutting budgets. That sub-committee has external representatives, who are people who are regarded as experts on sustainability. Their involvement will be valuable. We are changing significantly, and in a positive way, to ensure that we take a more cross-cutting approach to the allocation of budget spend and to the proper identification of sustainability targets. The approach will acknowledge the importance of transport and enterprise as well as the responsibilities of Ross Finnie in the Environment and Rural Affairs Department.

**Shiona Baird:** The Stern report came out yesterday and once and for all made a direct link between the future economic security of the planet and taking effective action to combat climate change. Treasury sources are indicating that Gordon Brown might—on the back of the Stern report on the economic impact of climate change—reject the Eddington report if it comes out in favour of increased road building and a growth in aviation. Will the Scottish Executive reassess its budget allocation to road building and aviation growth?

14:30

**Nicol Stephen:** As you know, we have devolved responsibilities in those areas, so it will be for the Scottish Executive to decide whether to take a different approach from the United Kingdom on those issues.

I am aware that I am moving away from the enterprise budget, but in the transport budget we have significantly increased the spend on public transport, which now accounts for 70 per cent of the budgeted spend. The position was very different 10 years ago, when the transport budget was dominated by roads spending. However, some appropriate continued investment in our roads infrastructure in Scotland is necessary. It would be wrong to stop spending money on our roads. Indeed, a number of capital projects are strongly supported by MSPs of almost every political party. I believe that even the Green party supports some investment in our roads infrastructure. These are important matters of political judgment, but I strongly support the Executive's shift in emphasis over the past few years towards investment in public transport.

The same applies to the investment that you asked about in our air routes. I believe that it is preferable to be able to take one direct air journey rather than to have to take two air journeys—the first down to the hub airport in Heathrow or Gatwick and a second one to a destination in Europe. It is good for the economy and, for example, for the financial services sector that there are now a number of direct routes from Edinburgh to other financial centres in different parts of Europe. If at all possible we should continue to support such investment but, if we could see significant Scottish and UK investment in new direct fast rail links, I would be pleased for such rail journeys to replace a significant number of the flights from Scottish airports down to Heathrow.

**Karen Gillon (Clydesdale) (Lab):** Do you think that the budgets that are currently available to Scottish Enterprise and the manner in which they have been decided this year have helped or hindered economic regeneration in the most deprived communities in Scotland?

**Nicol Stephen:** I believe that they have helped economic regeneration and are starting to help it even more. We have identified priority areas such as the Clyde gateway, Inverclyde and other areas in west central Scotland. We are starting to see concerted, co-ordinated partnership action involving Scottish Enterprise, the local authorities and a number of other important agencies such as Communities Scotland. I think that we will see a significant level of private sector investment in those areas as a result of the public sector regeneration initiative. That is good news,

although it is not before time. In the past few years Scotland has had lessons to learn from other parts of the UK and other parts of the world on economic regeneration, but substantial progress is being made and there are grounds for optimism.

**Karen Gillon:** How will such economic regeneration benefit people in my constituency, particularly in areas such as Larkhall where the residents are still among the poorest people and are most likely not to have access to employment opportunities? Much of the infrastructure investment is not taking place close to them or in their locality. In fact, large parts of previously used industrial areas, such as the Daks-Simpson site, are not being used as productively as they could be.

**Nicol Stephen:** There are two or three answers to that question, the first of which relates to my answer to the previous question from Shiona Baird. Our investment in transport—particularly in public transport—has increased significantly. I believe that the opening of the Larkhall to Milngavie rail link will be of significant benefit to the economy of the Larkhall area and your constituents, which is very good news. That shows how investment in significant new infrastructure can start to benefit an area and change the atmosphere and optimism in an area. As we all know, the scheme could have gone the other way. It was on a knife edge for a long time and, after 10 years, the consent process was within weeks or months of running out. The project could have been back to square 1. That is a good example of our making things happen.

Secondly, I believe that there will be spin-off benefits from the regeneration of the areas that I am talking about, which will be good for the whole of west central Scotland. If we start to see significant progress with the Clyde gateway project, the Clydebank project, the Inverclyde project and others, there will be benefits for the wider region.

Thirdly, it is not only regeneration in the national priority areas that I want to see. I want local enterprise companies, local authorities and other partner organisations to continue to tackle deprivation and to encourage regeneration in all areas of Scotland where that is needed. The civil servants who are involved in regeneration are giving strong support to areas outside the priority areas to ensure that it is not suggested that we are supporting regeneration only in the priority areas. Again, that is why the role of local enterprise companies and other local organisations is very important.

**Karen Gillon:** The upgrading of the M74 will be of benefit to my constituency as well; I welcome the investment in that.

Do you accept that the removal this year of financial support from Scottish Enterprise locally for the community planning process and for the regeneration of derelict or contaminated land, because of financial constraints, has caused problems in areas such as Clydesdale and Lanarkshire? Can you assure us that, as we move forward into the next financial year, some of those issues will be put back on more of a level footing, so that some of those disfranchised communities do not pay further towards the cost of last year's budget blunders?

**Nicol Stephen:** I fully agree that Scottish Enterprise has had to make some difficult decisions, which have had some difficult consequences. However, now that the budget is back on track, if there are changes in emphasis or a shift in decision making by Scottish Enterprise, those decisions should be taken because of the implementation of the new strategy rather than because of budget shortages. Some of the decisions that are made may be unpopular—for example, if a new strategy is implemented in a certain area and it affects schemes that would have been delivered under the old strategy. However, that is a different matter from decisions being made simply because of a lack of budget.

I hope that, if difficulties arise and there are good projects that MSPs and others believe should still be supported under the new strategy, those MSPs, in the first instance, will make the case strongly to the local enterprise company and to Scottish Enterprise and the senior management on the board of Scottish Enterprise, as well as informing me and the enterprise officials about the issue. As Karen Gillon knows, it is entirely appropriate for ministers to discuss such issues with Scottish Enterprise and to get explanations of the strategy. Nevertheless, it is important that we all give Scottish Enterprise the opportunity to deliver the new strategy, as I believe that it offers the prospect of significant and tangible benefits for Scotland and the Scottish economy.

**Richard Baker (North East Scotland) (Lab):** Rightly, one of the Executive's key targets is to increase investment in research and development, and the intermediary technology institutes have been a key part of the Executive's and Scottish Enterprise's strategy. I hope that ITI Energy will soon have a new challenge in collaborating with the proposed UK energy technologies institute and in working closely with Dounreay. More generally, I am aware that there has been a high level of demand for the services of the ITIs and a big take-up of projects with them. Has there been any monitoring of their work and budgets to establish that they will, in the long term, be able to meet demand? When the ITIs were set up, there was some blue-skies thinking about what they might be able to achieve. Now that they have had some

time to bed down, has any thought been given to monitoring them so that we can be confident that they have the right resources to meet demand in the long term?

**Nicol Stephen:** A significant amount of work has been done on monitoring the output and success of the ITIs. Indeed, the convener has questioned me on the issue more than once. There is a difficult balance to be struck between allowing the ITIs the freedom to be innovative and creative in developing new opportunities and ensuring that there is appropriate monitoring and checking of the use of public sector funds. It has been suggested to me that there has been too much intervention by Scottish Enterprise in checking or restraining investments by the ITIs. The opportunities for investment have been significant, and some exciting projects are developing through the ITIs. Scottish Enterprise monitors that investment carefully to ensure that the projects represent value for the public purse.

In the past, however, I have agreed with the convener that it is important that the ITIs have the opportunity to behave in a different way, as was intended when they were established. Different rules should apply to them and they should have the opportunity to create the exciting new projects that we all believe they have the potential to deliver. Graeme Dickson might want to comment on the monitoring arrangements for the ITIs.

**Graeme Dickson:** As well as the monitoring that Scottish Enterprise carries out, the minister and I meet the chairman of ITI Scotland and the chief executives of the individual ITIs fairly regularly to hear from them directly what they are up to and what their plans are for the future.

**Richard Baker:** Our business growth inquiry report talks about increasing the number of key areas beyond the three that the ITIs are working on. In the interim, there are more opportunities in some sectors than in others. I am thinking about the energy sector, for example, in which much more new research and ideas are coming forward quite quickly. Is there flexibility to switch budgets between the three institutions to reflect the fact that there are certain areas, which the ITIs focus on as a whole, that demand more investment than others in the medium to longer term?

**Nicol Stephen:** I understand that there is strong demand on all three ITIs at present. However, the short answer is that, yes, there would be flexibility to switch budgets. Beyond the three ITI organisations, there is an umbrella organisation that is chaired by Shonaig Macpherson, who then reports to Scottish Enterprise. Within the current structure there is opportunity for such flexibility.

**The Convener:** A key part of smart, successful Scotland is the need to grow indigenous

companies, especially in the growth sectors that have been identified and agreed by all parties. However, we learned recently of the decision by MicroEmissive Displays Ltd not to locate its planned expansion in Scotland but to go to Saxony in Germany instead. In response to questions from me last week, Jack Perry of Scottish Enterprise said that we should not support too many companies if the cost per job is too high. He also said that he believes that the battery of assistance that we can offer is no longer competitive enough to attract and retain such companies. What is your opinion on that?

14:45

**Nicol Stephen:** I am pleased that MicroEmissive Displays will continue to operate from Scotland and will continue to develop and provide good employment for people in Scotland. Although I recognise that there may be occasions in the future on which, in order for a Scottish company to trade competitively internationally, elements of manufacturing will go overseas, I am concerned about elements of overseas manufacturing going to other western European countries. I fully understand and support decisions by companies to choose a low-cost manufacturing location for high-volume, low-margin products if that will lead to the securing of jobs in Scotland. I would be delighted if all the manufacturing always took place in Scotland, but in the new global economy, that will simply not be the case.

**The Convener:** The manufacturing that I am talking about is at the high end.

**Nicol Stephen:** The case that you have raised is different because even though it concerns a new, high-end manufacturing process, the jobs have gone to Germany. We must examine continually the competitive structure, the opportunities that exist for inward investment and how we support new initiatives through grant and other funding. Traditionally, our fierce competitor has been Ireland. Sometimes we have been successful in attracting significant investment to Scotland and sometimes opportunities have been lost to Ireland and to other countries. It is unusual for a Scottish company to go to Germany, but it is not for me to intervene in particular cases.

Scottish Enterprise and Scottish Development International must have the opportunity to offer the best support possible to Scottish companies. It is important that we use regional selective assistance to support UK and Scottish businesses. A number of times recently when I have made grant support offers, I have used the powers as flexibly as possible to ensure that we retain jobs in Scotland, and I will continue to do that. If what has happened were to become a trend, I would give serious consideration to changing the system. It

would be wrong to say more than that, given that Jack Perry has already provided an explanation for the outcome in question. I am anxious to keep the situation under review and to make changes, if necessary, because I want companies in Scotland to grow in Scotland, wherever possible.

**The Convener:** You forecast a further reduction in the RSA budget over the next two years. That follows an underspend—albeit a small one of 2 per cent—on last year's RSA budget. All the indications seem to be that in recent years we have lost a bit of our competitive edge when competing with areas such as Saxony.

**Nicol Stephen:** When in-year pressures have existed, we have tended to find additional regional selective assistance moneys for good development opportunities. In the sense that when expansion and new job opportunities have arisen, we have been able to find additional money, the budget has not been capped—in other words, we have not turned away projects. The budget has been demand driven. That was the situation with the budget outturn for last year. I do not know whether Graeme Dickson has anything to add. This year is particularly difficult because of the pressures on Scottish Enterprise, but I would certainly work extremely hard to ensure that additional funds were found for that budget if good projects required investment.

**The Convener:** My point is that it is only a few years since the RSA spend was in the order of £70 million a year. It has now gone down to the low £40 millions. That suggests that there is not such great demand for RSA. If there is not the demand, is it the case that there is a lack of high-quality projects, from either indigenous expansion or inward investment?

**Nicol Stephen:** The big change in that respect has been that the number of footloose, international inward investment opportunities has dropped markedly. As the committee has seen, some of those international companies now tend to choose locations in eastern Europe, China or other low-cost areas of the globe. The shift has been significant and it reflects the internationalisation of global markets. The trend has affected all western European nations, including our traditional competitors for inward investment such as Ireland. It is a marked change for all of us.

There is good news that helps to balance that out. Despite that trend, the Scottish economy has continued to perform well over recent quarters and is ahead of its long-term growth rate. There continue to be significant opportunities for regional selective assistance, a number of which have been announced recently.

**The Convener:** Can you provide us with a list of all the inquiries made to SDI, Scottish Enterprise or the Scottish Executive over the past two or three years that related to expansion using RSA and other funds? It would be helpful for us to have a list that showed which inquiries were successful and which were not. I appreciate that you may not want to list the companies by name; I am looking for the numbers.

**Nicol Stephen:** I would be happy to list some of the companies. Graeme Dickson will remind me which ones I can mention in public. I do not want to mention a company only to find that an announcement has not yet been made.

**Graeme Dickson:** Quite. We publish all the grant offers every quarter on our website. We could ask SDI and—

**The Convener:** That is not what I asked. I asked for the percentage of inquiries that we are turning into actual projects.

**Graeme Dickson:** We can ask SDI and my RSA team whether we keep a record in percentage terms of people who go through the formal process.

If I may, I will give some background. The £70 million spend back in 2000-01 was a bit of a blip. We have been running at about £44 million a year since then. In fact, the spend reflects projects that would have been agreed two years ago. We are coming to the end of the current state-aid regime and are very busy with applications. The grants that we offer people this month will probably not be drawn down until the end of next year or the year after. Typically, they are paid out against either capital investment or jobs and in about five instalments. There may well be an increase in the spend next year or the year after, depending on our forecasts. The number of offers is running at about 160 to 180 a year and we have run things fairly consistently over the past few years.

**The Convener:** We would find it useful to have the numbers, if you can provide them. Having the number of inquiries and offers over the past three or four years would allow us to see the conversion rate of inquiries into offers and on into actual projects. It would give us the trend.

My key point is this: in a global economy, we expect to lose the low-end jobs—the widget manufacturing—to eastern Europe, the far east or wherever. However, we do not expect—I hope that we should not expect—to lose indigenous companies that offer high-premium, good-quality jobs. I realise that one example does not set a trend. Nevertheless, we need to be alert to the issue.

**Nicol Stephen:** I agree totally. I reassure the committee that we will keep a careful watch on the

issue. We will report back with the information that the convener has requested.

**Graeme Dickson:** An example of the sort of company that we are talking about is Vascutek Ltd, which is based in Inchinnan and which you met last week. Vascutek is an indigenous company that is expanding; it now has a Japanese parent company. We have helped that company and it will now take on many more high-quality jobs.

**Christine May:** From my experience, another category is relevant. I refer to those who applied but were not eligible, or were not given the grant, and yet went ahead and generated investment in Scotland by other means. I know of such examples. It would be helpful to have information on those people, too.

**The Convener:** That information would help us to consider the trend.

The First Minister recently outlined a proposal to establish a full-employment agency to take over the responsibilities of Careers Scotland, the volume training programmes that Scottish Enterprise runs and other activities. You have proposed an innovation agency that, if the press reported it correctly, would take over responsibility for the ITIs, proof-of-concept funding and so on. Would those proposed agencies fall under the umbrella of Scottish Enterprise or be separate agencies? If a separate full-employment agency were to be established to take away responsibility for careers and skills and a separate innovation agency were to be established to take away the ITIs and so on, what would be left of Scottish Enterprise?

**Nicol Stephen:** Jack McConnell proposed the full-employment agency that you describe in preparation for the Labour Party manifesto for the election next year. I proposed the investment and innovation agency, which I would be pleased to speak about in great detail, in my role as leader of the Liberal Democrats in Scotland in preparation for the Liberal Democrat manifesto. In my current capacity, it would be inappropriate to go into those matters.

**The Convener:** So neither of those proposals is Executive policy.

**Nicol Stephen:** That is a fair summary.

**The Convener:** That helps our manifesto. I am only kidding.

**Karen Gillon:** Your manifesto is all done.

**The Convener:** Among other things, you are the minister with responsibility for science. One of your predecessors, Wendy Alexander, established the Scottish Science Advisory Committee, which has been a successful innovation. Wilson Sibbett

was the chair of that committee but has been replaced by a civil servant—the new chief scientific adviser to the Scottish Executive. Why did the civil service not allow Wilson Sibbett, as chair of the committee, to speak to the UK Government's chief scientific adviser?

**Nicol Stephen:** Have we not corresponded on the issue?

**The Convener:** We have, but I have still not received an answer.

**Nicol Stephen:** You have received a response.

**The Convener:** I am looking for an answer. I would have thought that their talking to each other might be a dividend of the union.

**Nicol Stephen:** There is absolutely no reason why they should not have talked to each other.

**The Convener:** So why was Wilson Sibbett banned from talking to the UK Government's chief scientific adviser?

**Nicol Stephen:** I understand that Wilson Sibbett was not banned from talking to the chief scientific adviser, but because he is not a part of the Executive—he is neither a minister nor a civil servant—he could not represent the Executive at a formal meeting. However, he could certainly meet the UK chief scientific adviser and any other official on any occasion. That was not restricted.

**The Convener:** I do not think that that is his understanding of the position.

**Nicol Stephen:** If that is the case, that is most unfortunate. We should speak to Wilson Sibbett to try to clarify that.

**Mark Batho (Scottish Executive Enterprise, Transport and Lifelong Learning Department):** When I had responsibility for science, before the Executive's chief scientific adviser was appointed, Wilson Sibbett and I met Sir David King in Edinburgh with one of the scientific committees that he chairs. An ad hominem ban was not imposed. As the minister said, Wilson Sibbett could not engage as a representative of the Scottish Executive. However, he had several useful discussions with Sir David King and Sir Keith O'Nions.

**The Convener:** Can Wilson Sibbett's successor represent the Scottish Executive?

**Nicol Stephen:** She can, because she has a formal appointment. She has a part-time seconded post that makes her a civil servant in the Scottish Executive.

**The Convener:** Does not all that bureaucratic nonsense drive the business community spare?

**Nicol Stephen:** We have a satisfactory resolution that allows the new chief scientific

adviser to attend all those meetings. In my view, if there were difficulties in the past—I was unaware of those difficulties—we should have found a way round them, because it was important that Scotland was represented strongly and appropriately on those joint committees.

15:00

**The Convener:** My final question is on value for money from Scottish Enterprise. As has been highlighted both this week and last week by all committee members, and by Karen Gillon in particular, there is frustration in the business community and wider community at the number of times over the past 12 months that Scottish Enterprise, as a result of a self-made financial crisis, has been unable to make money available for projects that would normally have been supported.

People have received a negative response from Scottish Enterprise quite often, yet they read in the newspapers that the agency has spent, for example, £120,000 on a consultant's study on the proof-of-concept fund; £29,000 this year alone on subsidising the Confederation of British Industry Scotland—a lobbying organisation that some would say is a political body; and £300,000 on recruiting the ITI chief executives, all of whom have now left. We know that we want to get the best people from the international community in which we live, but the business community is frustrated at seeing that gross continuing waste of money. As Karen Gillon outlined, in many communities that frustration is boiling over. We can understand why Scottish Enterprise may need to say no, but to see such a gross waste of money is frustrating. I have picked just three small examples of that, but I could give hundreds more.

Can you do something to get Scottish Enterprise to spend money wisely on its priorities? Surely CBI Scotland is not a priority. Instead of spending £120,000 on an evaluation of the proof-of-concept fund, could not Scottish Enterprise have asked Chris McCrone's team or Robert Black's team to conduct the evaluation? Do we need to spend £120,000 on a consultant's study? Is it not time that somebody got a grip of the value for money aspect of Scottish Enterprise's spend?

**Nicol Stephen:** Any public organisation, agency or body such as Scottish Enterprise must offer value for money, but the key role in ensuring value for money rests with the board and senior management of Scottish Enterprise. I am sure that the committee put those points directly to Scottish Enterprise's senior management team, but I am happy to ensure that they hear what you have said this afternoon.

My plea is that we should get behind Scottish Enterprise and encourage the agency now that it is back on track towards being as successful as possible for Scotland and for Scotland's economy. I believe that most committee members round the table want to ensure that support and ensure the future success of the Scottish economy by working together. That is what we did in the week when the international community came to Scotland in such numbers. The joint approach that we took when the conference of the international advisory board took place here in Scotland was powerful and impressive. I hope that we are able to take that approach again for the business in the Parliament conference this Thursday and Friday. I believe that we are at our best, and that Scotland is at its best, when politicians work together and when you and I, convener, are sharing a platform to promote Scotland.

**The Convener:** I agree with the last point, but I totally disagree that Scottish Enterprise is on track.

**Karen Gillon:** I seek clarification on the funding to CBI Scotland. Is it a legitimate use of public funds to give public money to an employers organisation? If that is legitimate, should not Scottish Enterprise give public funds to the recognised organisation for employees, which is the Scottish Trades Union Congress?

**Nicol Stephen:** This afternoon is the first time that I have heard any suggestion of impropriety in the use of those funds. I am happy to obtain more detailed information on whether the moneys involved were core funding or project funding.

**The Convener:** Even if the funding was project funding, a point of principle is involved.

**Karen Gillon:** The key point is that one membership-based organisation appears to have received funds from the public purse to support its activities whereas another membership-based organisation, which supports the other side of the debate, does not appear to receive support from the public purse.

**Nicol Stephen:** I recall that public funding was made available to the STUC to establish a union learning fund, although members may think that that is different from the case that we are discussing. I will find out more about the exact nature of the funding for CBI Scotland and report back to the committee on the issues that members have raised.

**The Convener:** I do not want to dwell on the matter, but you will understand members' concern about Scottish Enterprise's priorities, especially in a year when the organisation is strapped for cash. In my opinion, it is more important to subsidise training programmes or to help small or medium-sized companies than it is to waste money on

expensive consultants' reports—I speak as a former consultant—or the CBI.

**Nicol Stephen:** I understand your concerns. I point out that recently the CBI has worked hard to get rid of any suggestion of party allegiance.

**The Convener:** Did you read Iain McMillan's comments on Sunday, which blew that theory out of the water once and for all?

**Nicol Stephen:** The CBI has not always been complimentary about a number of members around the table and the views of our respective parties. I am sure that that will continue to be the case. However, it is a strong and respected representative body that works on behalf of its members. I will do what I promised and report back to committee members on the exact nature of the £29,000 that has been mentioned.

**The Convener:** Cumulatively, since the Parliament was established, Scottish Enterprise has given CBI Scotland something of the order of £500,000. It is not a one-off payment of £29,000, but a substantial amount of money. The fact that the chairman and chief executive of Scottish Enterprise are former presidents of CBI Scotland calls into question that use of public money.

**Nicol Stephen:** I will report back to you on the matter.

**The Convener:** We move on to the issue of lifelong learning. I invite the minister to give us an overview of the lifelong learning budget.

**Nicol Stephen:** I have no additional announcements to make, so the budget is as it stands. I am happy to take questions on it.

**Christine May:** We have already dealt with the broader aspects of training. I would like to raise the issue of funding of further education colleges. I recognise that capital funding, in particular, has been extremely generous and has increased significantly. However, I will ask about revenue funding and the role of Careers Scotland, in particular. Are there proposals to recover moneys from colleges' revenue budgets to fund changes to Careers Scotland?

**Nicol Stephen:** There is no intention to do that.

**Christine May:** Does the same apply to learndirect Scotland?

**Nicol Stephen:** Yes. As members know, we have carried out a consultation on the future of Careers Scotland. However, we have not taken final decisions. For that reason, no changes to our budget proposals for this year or next year arise from the consultation. I give members a guarantee that the further education budget to which Christine May refers will not be affected by any such changes.

As she knows, one possibility is that learndirect Scotland and Careers Scotland will be merged or combined in some way. If that change were made, their budgets would have to be merged, but it is too early to speculate on such an outcome. I will keep the committee closely informed of developments in relation to the future of Careers Scotland, as I know it is of significant importance to the committee, to those who work for the organisation and to those who receive the benefit of its advice and services.

**Christine May:** I am reassured by your answer, because it was suggested to me that there was a proposal to top-slice £2.4 million for Careers Scotland and £9-odd million for learndirect Scotland from the colleges' revenue budget over two years. I would be grateful if you could provide the committee with further information on that point.

**Nicol Stephen:** I am reassured by the fact that Mark Batho is looking as puzzled as I am. I have heard no such suggestion.

**The Convener:** We all agree that the vast bulk of our 43 further education colleges do an excellent job in relation not only to further education but to higher education. However, the recent difficulties at James Watt College of Further and Higher Education and other difficulties in some colleges in Glasgow and elsewhere have raised the issue of the governance of the college sector. I think that the Executive is reviewing the governance of our colleges as part of a wider review. When is that review likely to report? Have you any indication of what it is likely to say?

**Nicol Stephen:** Your first point is important and accurate. The majority of our colleges are well run, well managed and financially stable. Indeed, the record levels of funding that are being provided to our colleges and universities clearly help to deliver a healthy and financially solid sector. All of that is positive. Understandably, however, you focus on the areas in which we have had difficulties. A few colleges have experienced continuing difficulties in relation to industrial relations or their financial situation. The funding council's approach involves giving support and advice to colleges to help them to turn their situation around and bringing in expertise from other colleges, which ensures that support is provided by a network of colleges to those that are having difficulties. That good approach is delivering good results.

The review of Scotland's colleges is concerned with the direction that they will take. I do not think that it is focused on governance in particular. Mark Batho can explain where we are in relation to those issues.

**Mark Batho:** There is a governance work stream that is the fulfilment of an obligation from

the last review. That is continuing and it is intended that it will report in 2007—I am not sure of the specific timescale. One work stream has representatives from the colleges, the trade unions and the student bodies. The review is a joint effort rather than being Executive led.

**The Convener:** Is it only about governance or is it a wider review?

**Mark Batho:** There are four work streams. A couple of weeks ago, the minister launched one that is concerned with the difference that colleges make. Others are concerned with staffing and infrastructure; governance and accountability; and futures, which looks to the 15 to 20-year horizon. They will all report at different points. I can let you know what the timetable is for the governance one.

**The Convener:** That would be helpful. I suggest that, in our legacy paper, we say that our successor committee should consider whether it is necessary to take forward some work in this area.

**Richard Baker:** Obviously, we are investing record amounts in further and higher education, but there is concern in the sector about incentivising efficiency in spending. Huge spending allocations are being given to certain institutions and there is concern that colleges that use their funding efficiently are not being rewarded for it and that colleges that are not efficient are not being incentivised to do better. To what extent could the funding council do more to incentivise efficiency of spend?

15:15

**Nicol Stephen:** That is a fair question, because the funding council is at arm's length from ministers, who do not—and should not, I believe—direct its spend. We have strongly supported the universities' historic position of independence and have recently taken steps to give greater independence to our colleges. The fact that we have done that shows our confidence in the sector and the strength of its governance, but it is important to get the balance right, because we want to ensure that, when there are problems, action can be taken to turn the situation around.

You talked about efficiency targets. Similarly, we have focused on the delivery of services that are under the direct control of the Executive in general and the Enterprise, Transport and Lifelong Learning Department in particular. On enterprise and lifelong learning, we have more than matched the efficiency targets but, although we might want to ensure that organisations that are at arm's length from the Executive create such efficiencies, we have held back from imposing targets for the reasons about which I have spoken. I would be happy to raise that issue and discuss it at my next

meeting with the chairman and chief executive of the funding council and to provide some feedback to the committee in due course.

**Richard Baker:** That would be welcome. I represent a large region that has a large number of colleges in rural areas. They feel that there are particular pressures on their funding because of their rurality, which is not being accounted for properly. I know that you are at arm's length from the funding council, but do you hope that it recognises rurality as an important pressure on the finances of colleges in rural areas, which aim to provide local people with a service that city dwellers expect?

**Nicol Stephen:** Yes. The issue is raised with me regularly. It is a problem for rural areas and it is a particular problem for colleges in the more remote and island communities. The funding formula already allows for a bias—an increase in funding—for such colleges, but a working group has been considering the matter. I am trying to recall whether its final recommendations have been made and implemented. I think that there is continuing work on the possibility of a shift in the formula to make additional funding available to rural colleges. I ask Mark Batho to confirm that.

**Mark Batho:** That work was not specifically about rurality; it was about how provision matches requirements in particular areas. I am not clear about its current status—there have been discussions about three or four colleges—but it is the case that the formula is geared towards weighting resources to take account of rurality.

**Nicol Stephen:** We can perhaps give you an update on that, Richard. As you rightly say, the decisions are for the funding council, so the issue would not come in front of me. However, we can find out about it through the funding council and inform the committee.

**Shiona Baird:** The Beattie inclusiveness agenda has received a fair amount of funding over the years. How effective has it been in reducing the numbers of those who are not in education, employment or training?

**Nicol Stephen:** It has been important funding. The Beattie initiative—in which I have been involved from an early stage, when I was the Deputy Minister for Enterprise and Lifelong Learning—was much needed. There were significant problems in the sector, but it is now responding to disability issues in a far better way. Undoubtedly, there are still challenges and more could be done, but we are working in a much more constructive and positive funding environment. I would be happy to discuss work to discover the Beattie funding's tangible benefits with the funding council and to give you a more substantive response.



**The Convener:** I have a question on the funding of part-time students, after which I will give the final question to Christine May.

To achieve the vision of “A Smart, Successful Scotland” we have to make greater use of the potential of part-time students, but many potential and actual part-time students find the financial situation, including the rules on benefits and so on, a major barrier to realising their potential and going into education and training as a route back to work. Is the Executive examining the barriers and considering what can be done to reduce them and give incentives to part-time students?

**Nicol Stephen:** The short answer is yes. I will bring in Mark Batho to provide some of the detail, but I am anxious to consider the matter in a substantial way and to get far greater consistency and equality of funding between the university and college sectors—the college sector is sometimes still regarded as a Cinderella sector in which students are less generously funded—and between full-time and part-time students, because full-time students tend to be more strongly supported.

It is important that we support the growth of Scotland's economy by providing the right training, skills and opportunities for all Scotland's students. People are increasingly taking the option of studying part time, but everyone knows that that can be a more expensive route. I am keen that there should be greater equality between part-time and full-time students, and we are looking into that. I do not promise that we can change the situation overnight, but I believe that we can make progress in the next few years. In a sector where more generous student support has been made available in the past six or seven years, where far more substantial funding has gone to individual universities and colleges, and where we now have a substantial capital programme, one of the next priority issues to be tackled is the one that you identify in your question.

I ask Mark Batho to comment on the work that is being done.

**Mark Batho:** A team within my group is considering student support across the piece and examining a range of different aspects to get better coherence. The issue of part-time students is up there with the big issues, not just because, as the minister said, it is important to a lot of people, but because it will undoubtedly involve a lot of money. The solutions will involve significant expenditure decisions, so the matter is being geared towards the next spending review.

**The Convener:** Will the outcome of the work that your department is doing be made available to the committee?

**Mark Batho:** It is an internal piece of work, but I see no reason why it should not be made available.

**The Convener:** I suggest to the committee that we should include the issue in the legacy paper for our successor committee. The funding of part-time students is fundamental to achieving the vision of “A Smart, Successful Scotland”.

**Christine May:** I have a final question on workforce planning. You mentioned the group that you set up to look at the future. Yesterday, the convener and I were at a conference on renewable energy and we listened to John Wilson from the physics department at Heriot-Watt University talking about potential shortages of scientists, physicists and engineers. What are you doing about that? What instructions have been given and what discussions have been held on incentives to encourage people to go into engineering and on the redesign of courses? How can we streamline processes and invest in research capacity for the industries of the future?

**Nicol Stephen:** Clearly, Futureskills Scotland has an important role in identifying skills needs and in ensuring that the supply of skills matches those needs. Because it operates at a strategic, Scotland-wide level, Futureskills Scotland might not be able to identify particular local or regional shortages, therefore it is important to maintain a close dialogue with individual colleges and universities and—more important still—with individual employers and employer organisations.

Scotland will have to work hard over the next few years to seize new opportunities. The renewables sector is a great example—not only at the high end, in relation to the engineering and science skills that are required to invent new renewables devices, but at the technical end, in relation to the skills that are required to produce and install those devices. For example, if you were to go to small and medium-sized businesses in your area and ask them to install some of the microrenewables devices that are now on the market, you would find a substantial skills shortage. Some companies feel nervous about installing wind turbines, ground-source heat pumps or solar panels for the first time. It is important that we have a fast and flexible labour force that can adapt to new inventions and keep pace with technological changes. In other countries, fantastic changes have been introduced very quickly. It is important that Scotland, too, has that speed and capacity.

Mark Batho might want to comment on other areas of work in the department.

**Mark Batho:** I really do not have anything to add. “Adaptive capacity” is the term of the moment. Rather than saying that in five years’

time we will need X number of engineers—an estimate we are always fated to get wrong—we have to say that students should have the capacity to adapt throughout their careers and have the opportunity to revisit their learning at different points.

**Nicol Stephen:** I will add a couple of other things. I mentioned the independence of our universities, which is vital. However, our universities must be alert to the needs of industry. I am thinking about the skills that the life sciences sector is looking for or that the renewables sector will be looking for as it grows and develops. The universities with a commercial focus and edge will be valuable to us in future. As we all know, some universities have a background that gives them that focus. However, the historic and traditional universities will increasingly need to develop in that area. A good example might be the University of Edinburgh. Some universities have real strengths in that area.

College principals often say that there is a demand for an expansion of the services offered by the colleges of perhaps 10, 15 or even 20 per cent. There is potential for expansion in higher education services and in part-time courses, in which there has already been significant growth. That will be on the agendas of all political parties when we consider future spending reviews.

The issue is central to Scotland's future success. It is great when we hear that staff are being recruited from other parts of the European Union and that people are choosing to come and live in Scotland, but that should not take away from our heavy responsibility to develop skills in Scotland to ensure that as many people as possible have the right skills for the future. For example, in schools we could perhaps ensure that the traditional biology course covers some of the issues that are relevant to the life sciences industry. We have to develop skills in schools, colleges and universities, and among employers and employer organisations. For example, electricians and plumbers organisations need to be aware of the demands for new products and ideas that are coming through from consumers and from other businesses. They need to ensure that their training gears up to those demands, and they will require colleges to change the provision that has historically always been given. There needs to be constant change if we are to keep pace. We must all work hard on this together if we are to get it right for the future.

**The Convener:** I thank the minister and his officials. That was a helpful and informative discussion. We look forward to receiving the additional information that we requested. The clerks will take a note of the suggestions for the committee's legacy paper. We look forward to

seeing you at the business in the Parliament conference later in the week, minister.

## Petition

### National Bird (PE783)

15:31

**The Convener:** Item 2 concerns petition PE783 on a national bird for Scotland. We have three witnesses for the petition, which has been referred to us by the Public Petitions Committee. I welcome James Reynolds and Duncan Orr-Ewing, who represent RSPB Scotland, and David Lee, who is assistant editor of *The Scotsman*. It would be helpful for you to explain the background of the petition. We have a paper before us, but it would be helpful if you could tell us why the golden eagle should be the national bird of Scotland.

**James Reynolds (RSPB Scotland):** I understand that members know some of the particulars about how the golden eagle came to be chosen as the candidate for the national bird, following the poll that *The Scotsman* newspaper conducted.

There is something undeniably special about birds and how they connect people to nature. They help lift human life with their general presence. Knowing that they are there, going about their business in spite of all the chaos of modern human life, somehow elevates the spirits.

In Scotland, there is a long history of birds in our culture. That includes Gaelic poems and songs, Pictish stone carvings and more modern writing and poetry, including the works of Burns, which include references to about 40 species of bird. As national symbols, birds undoubtedly engender a sense of pride in one's nation. They can have many positive spin-offs, particularly for tourism.

Of the 12 species that were in the running for the position of Scotland's national bird in the poll that was run by *The Scotsman*, the golden eagle was top. The species is already an unofficial emblem of Scotland. It captures much of what we believe to be the very best aspects of the country: it is a majestic, proud and confident species that chooses to live among the grandeur of the rugged mountains, craggy glens and beautiful lochs that make up the wilder places of Scotland. It has, using its natural resilience, intelligence and supremely adapted senses, survived in that environment in spite of us, through periods of persecution and hardship, and has won international regard. Hundreds of people come to Scotland specifically to see this beautiful bird soaring at the heads of our glens and heather-clad hills. The sight never fails to astound one.

That has not gone unnoticed throughout the centuries. In Gaelic, the word for golden eagle is "iolaire". Although the etymology of the word is

uncertain, the legacy of the Gaels' wonderment at the golden eagle remains in many place names. Many crags and hills in the Highlands go by the name of Creag na h-Iolair—Crag of the Eagle. At least some of them are occupied by golden eagles even today.

Highland chiefs, as a mark of their rank on occasions of ceremony, carried in their bonnets three flight feathers of the golden eagle. The Highland chieftain had two flight feathers, and the Highland gentleman had one. In his seminal book, "Days with the Golden Eagle", Seton Gordon notes:

"In 1951 a great clan gathering was staged in Edinburgh. A number of chiefs then wore Eagle feathers in their bonnets, but I noticed that some of them were tail feathers, and not the flight feathers which should have correctly been carried. Although the wind reached the force of a gale, not one feather came adrift on that great day."

I also point out that between 80 and 90 countries around the world currently have a bird as a national symbol. Some of the choices are duplicated among countries, but it is pertinent to note that no country currently has the golden eagle as its national symbol. This is an opportune time for us to seize the chance to adopt that symbol.

**Duncan Orr-Ewing (RSPB Scotland):** It is also pertinent to note that the golden eagle is a species that is found the length and breadth of Scotland, from Dumfries and Galloway in the south out to the Western Isles, where it has some of its best strongholds, and up to Caithness and Sutherland, so it represents all of the country.

**David Lee (The Scotsman):** When *The Scotsman* embarked on its campaign, we had noticed an interest in environmental issues, and particularly in species issues. We did it as a litmus test and, as you will see from your papers, the voting numbers were not terribly high, but we had set out to start a debate on whether it was a relevant way to progress. The petition has been through various committees and has gone to the Executive and back, although I believe that the Executive does not have a view on the matter. It seems to be a tremendous opportunity to adopt the golden eagle because, as James Reynolds has said eloquently, the symbol of the eagle runs through the whole of Scottish history, from the distant past to the present and into the future.

**The Convener:** I presume that it is not a reserved matter for Westminster and that we can decide what our own national bird is. Are there any questions? I think that Murdo Fraser is interested in the petition.

**Murdo Fraser:** I am very fond of birds, but not as fond as my cat.

I enjoyed listening to what James Reynolds had to say about the crags that are inhabited by golden eagles. I remember making my way gingerly along the ridge of An Teallach in Wester Ross a number of years ago and coming face to face with a golden eagle. I am not sure which of us was more surprised but, fortunately, I was clinging on more firmly than he was, and he took to his wings and flew away.

If we are to have a national bird, the golden eagle is absolutely the right choice, but I have to ask the witnesses why they think we should have a national bird. Did you think about a national animal, such as the red squirrel, or a national fish? Why did you decide to promote a national bird?

**James Reynolds:** It is a personal thing. As I said in my opening speech, birds have a special quality that somehow connects with people. Throughout history, people have looked to birds for inspiration, more so perhaps than to mammals. I think that that is why more countries have a national bird than a national mammal. Of course, there are some national mammals; I can think of the springbok in South Africa, and I am sure that there are other examples, although none immediately springs to mind. There seems to be more of a connection with birds, however, so for that reason I believe that a bird would be more appropriate.

**David Lee:** It was the centenary of the RSPB Scotland when we held the vote in 2004, which was another reason for doing it then.

**Duncan Orr-Ewing:** We have a national flower in the thistle, and a national animal in the lion.

**Shiona Baird:** We do not have a national anthem yet, do we? Maybe that is something that we will discuss at another time. Why should Parliament decide on the issue now? The petition was drawn up in 2004.

**James Reynolds:** Two years have gone by since the petition was lodged, so it would be a fitting end to the present session of Parliament if it were to grasp the nettle and act on it now. If that does not happen, an opportunity will have been missed, as there is soon to be an election. That would be a great shame.

**Shiona Baird:** I am a wee bit concerned about the fairly small number of people who responded to the petition. To what extent do you feel that the view that the golden eagle is Scotland's favourite bird is replicated throughout Scotland?

**James Reynolds:** I think that the view is pretty well substantiated, although some of the evidence is anecdotal. Under the recent Scottish biodiversity strategy, a poll of the general public was conducted—again, I am not sure of the numbers—

to find out what is the favourite bird of Scotland. It emerged that it is the golden eagle.

I have brought a publication to show members. It is entitled "Wildlife Scotland" and was produced by VisitScotland in 2004. Naturally, VisitScotland relied on the symbol of the golden eagle to represent all that is wild in Scotland. The publication was used to promote Scotland as Europe's leading wildlife destination. It is no coincidence that VisitScotland chose that image for the front of the publication—it encapsulates everything that we have been talking about today.

**Mr Stone:** As I represent Caithness and Easter Ross, I would favour the golden eagle for purely personal reasons. Indeed, there are eagles living in and around Struie hill, which is the nearest hill to where I live in a converted croft house.

I have a couple of questions. The golden eagle is currently the property of the Highland chiefs, who may wear its feathers—that is absolutely correct. The feathers are sometimes worn mistakenly by lowlanders who think that they are Highland chiefs, but the eagle is properly the property of Highland chiefs. Has anyone checked with the Highland chiefs as to what their view would be? Secondly, is not the unicorn the heraldic beast of Scotland? The lion and the unicorn appear on the arms of the Crown. We may need to check that. Does the Lord Lyon have a say or a role in that?

Finally, although I support the adoption of the golden eagle as Scotland's national bird, I share Shiona Baird's concern about the size of the sample in the survey.

**James Reynolds:** I am not sure whether the symbol of the golden eagle is the property of the Highland clans. They have not been contacted or consulted on the issue. I am afraid that I am not able to answer the question about the unicorn. What was the other part of the question?

**The Convener:** It was about the role of the Lord Lyon.

**Mr Stone:** He is an animal as well.

**The Convener:** Strike that from the record.

**James Reynolds:** Again, I am afraid that I cannot answer the question.

**Duncan Orr-Ewing:** Can I comment on the level of consultation?

**The Convener:** Yes.

**Duncan Orr-Ewing:** The matter was ventilated quite significantly during RSPB Scotland's centenary year, not least through *The Scotsman* and also through the wider media—the BBC and others covered the story. Although the number of people who voted was relatively low, the issue had

pretty wide coverage at the time, as I remember it. People had the chance to vote if they were so inclined.

**David Lee:** The poll ran only over three or four weeks. If we had our time again, we would open it up over a much longer period. It was a litmus test. To be honest, all the questions that have been asked here about the size of the sample and so on were asked previously at the Public Petitions Committee. When we had the idea that there should be a national bird for Scotland, it was a kind of litmus test as to what the public thought. As Duncan Orr-Ewing said, the matter was more widely discussed throughout RSPB Scotland's centenary year.

It has taken us two years to get back to the point at which we started, and the same questions are being asked again. That is no fault of the members of the committee but, as James Reynolds said, if the petition falls now it will be a missed opportunity that will not return. Many suggestions were made at the Public Petitions Committee about further soundings being taken. I do not know whether that has been done, but it appears to me that no further research has been undertaken on the back of that committee's work. We put the issue in the public domain and hoped that more work would be done on it after we had raised it.

15:45

**The Convener:** Do you have any other questions, Jamie?

**Mr Stone:** No. I am okay for the moment. I am interested in other members' comments. I have put my cards on the table.

**Richard Baker:** I am keen on the golden eagle as a candidate, because I think that it would send out a good message. In the region that I represent, there is concern about raptors being targeted by landowners and gamekeepers. There is a serious message that adoption of the golden eagle as Scotland's national bird would help to spread.

I take the points that David Lee made about *The Scotsman* starting the process and not wanting the petition to fall at this stage. I think that what is suggested is, in principle, a good idea. Is there any way in which we can instigate more of a process while not losing the petition? Only 1,666 people responded to the poll in *The Scotsman*, but the RSPB has many members—probably more members than the Scottish National Party—and I am sure that it could get a big indication of support from those people.

We have had international examples given to us. One province in Canada consulted all its schools first. Are you wedded to the idea that the symbol has to be the golden eagle? We could say that

there should be a process at the end of which there would be a national bird. That could be carried through after the election as well.

**James Reynolds:** I do not see any reason why that could not be so. My only concern is that the process would not be carried through, but would stop because of the election, which would be a great shame. If it could be guaranteed that the process would continue and that the consultation would go forward, that would not be unreasonable.

**Christine May:** I declare an interest as I am a member of the RSPB, as is my husband. The straw poll that I took this morning—which was very unscientific—of people whom I met on the train, my family and some colleagues produced the view that the golden eagle is a nice bird that should be protected from predatory landowners, but that was it. Nobody was aware that there had been a campaign or any sort of petition or vote. Certainly, there was no sense that this was something that Parliament should be doing.

I listened to what you said about what had happened and I read what the Public Petitions Committee said originally. Your response that you expected somebody else to do something was a little weak. I put it to you that if you had been really serious about this, you would not have waited for Parliament to look for additional support; you would have gone out there and—I think it was John Scott who suggested this—at the very least encouraged another daily newspaper, perhaps in the west of Scotland, to support your idea. None of the Public Petitions Committee's suggestions were taken up. The RSPB ran a very good campaign on ship-to-ship oil transfer in the Forth: that issue was not left for others to deal with. I have to say that there is an element of the publicity stunt about this, rather than it being something particularly serious, so on that basis I am not inclined to recommend that we take the matter further.

**The Convener:** Do you want to comment on any of that?

**James Reynolds:** Yes. When we started the process, I was working for *The Scotsman*. The idea was driven by *The Scotsman* and the petition was lodged after that. It certainly would not have been in *The Scotsman's* interest to try to get another paper on board to get more of a response, which is why it was driven forward straight after the results of *The Scotsman's* poll came in. We could not really have done more than was done when I was working at *The Scotsman*. We expected the processes of the Public Petitions Committee to help to progress the matter and gain the momentum that we saw had come through the poll.

**David Lee:** I refer to the *Official Report* of the Public Petitions Committee. The convener of that committee asked whether it

“should go to the Executive, get a lead from it ... and then contact wider organisations”.—[*Official Report, Public Petitions Committee*, 10 Nov 2004; c 1190.]

It is not a matter of leaving this to Parliament and not doing anything. As far as *The Scotsman* was concerned, we got involved, started it off and the RSPB has picked the issue up. The *Official Report* clearly states that some wider soundings were going to be taken before either a committee reached a decision or Parliament reached a view on the matter. It is unjust to say that we should have been going on and doing other things. The approach that was outlined in the *Official Report* has not been followed through—it is two years since we brought the petition to Parliament. All we are looking for is an opinion, but we have not managed to get one in two years. If the answer is no, we would sooner hear that than keep coming back again and again.

**The Convener:** Once we have finished asking questions, I will go round the committee to get members' opinions on how we should take the matter forward—if, indeed, we should.

**Duncan Orr-Ewing:** There is a danger of understating the amount of public canvassing that took place. We have 75,000 members in Scotland, who were aware that the process was under way. I remember from the time that the issue received a lot of coverage in the press, not only from *The Scotsman*, which led the polling process, if you like—

**David Lee:** A considerable amount of the coverage came after voting closed.

**Duncan Orr-Ewing:** As I remember it, when the golden eagle formally won the poll there was wide coverage elsewhere.

**Karen Gillon:** I am not averse to the golden eagle being designated Scotland's national bird, but you will forgive me if I am slightly concerned that we should be embarking on a consultation, given the kickings that Parliament has taken from papers such as your own when other consultations that we have embarked on in the past have been described as a waste of public money.

I am more than willing to gauge the opinions of my constituents through my column in the local newspaper, and we can gauge people's opinions in other ways. It would be interesting to see where this could go, but I am not sure what the point of it is other than to designate a bird: what does that do? However, I am not opposed to our considering whether there are ways in which we can take the matter forward.

**Duncan Orr-Ewing:** The point of such a designation is to engender national pride. There are plenty of indications from throughout the world that species of bird can have a national status: examples include the kiwi in New Zealand and the cockerel in France. Those are national symbols that engender pride among the population and are widely recognised the world over.

**Karen Gillon:** I think that we have a national symbol in that we have the lion rampant, which I see as the national symbol in Scotland, or there is the thistle. What role would another national symbol play other than to confuse people?

When I think of the French rugby team I see a cockerel, but when I think about the Scottish rugby team I see a yellow flag with a red lion rampant on it. How would having a golden eagle enhance national pride? I am very proud to be Scottish: how would such a designation enhance my pride in being Scottish?

**Duncan Orr-Ewing:** James Reynolds perhaps encapsulated the issue in his opening comments. It is a symbol of what Scotland is about, of our wild places and of our attraction as a tourism destination. Wildlife tourism is a growing sector and the link that would be provided by having a potent symbol such as the golden eagle for such a destination is quite strong. There is also a strong link to the cultural identity of the country, which again attracts tourists to the country. Such a symbol could also be an economic asset.

**James Reynolds:** People do not and cannot come to Scotland to see the lion rampant, other than to see a drawing or representation of it on a piece of paper or another image of it. I am sure that people can come to Scotland to see a thistle, but they can see those elsewhere. People cannot see a golden eagle anywhere in the United Kingdom other than in Scotland. I do not know whether you have ever seen one, but it truly is a bewitching experience. Many people come to Scotland specifically for that purpose. It is tangible: people can see the golden eagle and experience the emotion that goes with it. That is why I believe that it is a good idea to designate the golden eagle as the national bird.

**Karen Gillon:** You are not suggesting that we get rid of the other symbols.

**James Reynolds:** Absolutely not.

**Karen Gillon:** I am slightly concerned about the road that you are going down. If you ask people the world over what are the symbols of Scotland it would be easy for them to come up with the two that we have talked about, which I think that you belittle, just because you cannot see them. They are clearly identifiable as symbols of Scotland. I would not necessarily see a kiwi if I went to New

Zealand. You are in danger of talking yourself out of quite a good story.

**James Reynolds:** The intention was in no way to belittle the existing symbols of Scotland. We are arguing for something that I believe is an experience as well as a symbol. Establishing the golden eagle as the national bird of Scotland is a good idea because it would promote inward investment through tourism, which can only be of benefit to Scotland.

**The Convener:** It seems that the practical benefit of the proposal is that it would encourage tourism. My understanding is that tourism that is related to bird-watching and similar activities is growing exponentially in Scotland. If we decide that we should have a national bird and that it should be the golden eagle, which can be seen only in Scotland, would you anticipate that having a significant impact on bird-watching tourism, which we should not underestimate?

**James Reynolds:** I do not know whether the impact is quantifiable.

**The Convener:** I am not asking you to quantify it. In general, do you think that it would help to promote Scotland through tourism?

**James Reynolds:** Indeed. I think that it would cement in people's minds the association between Scotland and the golden eagle, which I think would be beneficial.

**The Convener:** We are running short of time. Thank you for answering our questions.

I seek members' views. My view is that Christine May is right: making the golden eagle Scotland's national bird is a publicity stunt, but it might be something that Scotland could do itself, as a country. I am sure that the story would get loads of publicity all over the world, which would help to sell Scotland as a tourist destination, particularly for bird watching. Such a publicity stunt could be beneficial.

One of the things that we need to clarify is whose decision it would be to make the golden eagle Scotland's national bird. Jamie Stone asked whether the Lord Lyon, Parliament or the Executive would make the decision. I suggest that we clarify, presumably through the Parliament's lawyers or by writing to the Lord Lyon or whoever—I do not know whether we have to ask the Lord Advocate for her opinion—whose decision it would be.

**Karen Gillon:** I am happy with that. Given the discussions that we have had, I suggest that we also write to the Minister for Tourism, Culture and Sport and VisitScotland, to ask them what they think are the potential benefits to Scottish tourism of the designation of the golden eagle as the national bird of Scotland.

**Mr Stone:** As has been wisely pointed out, we do not have an awful lot of lions and unicorns in the straths and glens of the Highlands. I have eagles in my constituency, so I am an eagle man. If the designation encourages people to come to my constituency to spend money looking at eagles, I say "Amen" to that, with the proviso that we check the legalities. It might be a stunt, but it would do Scotland no harm. I say that in the context that "God Save the Queen" should remain our national anthem. If Mr Salmond decides to grab the eagle as something to do with Banff and Buchan, I will point out to him that there are none in Banff and Buchan.

**Christine May:** He can put the feathers on his hat.

**The Convener:** It is now about 4 o'clock. I suggest that we seek clarification, through the channels that we have discussed, on whose decision it is and whether it is a decision that Parliament or the Executive can make. We should take up Karen Gillon's suggestion and write to VisitScotland and the minister to get their opinions on whether the designation would help boost tourism in Scotland. I do not think that it would do anything for inward investment—we are talking about tourism. We could also write to any other appropriate bodies.

16:00

Thirdly, if we get a positive response I could ask the Parliamentary Bureau to schedule a short debate on the subject, to get the view of Parliament as a whole. The committee does not want to take a decision unilaterally. If the feeling is that we should agree to the proposal, it will be up to the powers that be to take the necessary action.

**Christine May:** I do not wish to be a wet blanket or to give the impression that I am against symbols. The RSPB's campaign to preserve and protect the golden eagle and many other birds that were endangered has been superb. Last week, there were two golden eagles over the Lomond hills, which was wonderful. However, I am very concerned about the level of support for and recognition of the proposal that exists in the wider community. It would be worth our writing to the various bodies concerned, but I would like the issue to come back to the committee before we decide what happens next. I am loth to take up Parliament's time with another debate that may be more about symbolism and stunts than anything else.

**The Convener:** I suggest that we agree to the first two action items. First, we will try to clarify whose decision it is. Secondly, we will write to VisitScotland, the Minister for Tourism, Culture and Sport and anyone else to whom it would be

wise to write to get an assessment of the potential impact on Scottish tourism of a positive decision on the proposal. When the committee has received answers to both of those questions, it can revisit the matter and decide whether it wants to progress it.

From our discussion, it appears that the committee's view is that at least two criteria will need to be met. The first is whether deciding to designate the golden eagle as a national bird would provide some practical benefit to Scotland. Secondly, there must be evidence of widespread support for having a national bird and for that bird being the golden eagle. We must be satisfied on both points. However, the approach that I have outlined will allow us to progress the matter and to conclude the petition. The witnesses have indicated that, even if we answer no, they would at least know where they stood and that would be the end of the matter.

I would not go to the barricades on the issue but, if the responses to our questions are positive, there may be practical reasons for our supporting the petition. We need to get answers to our inquiries first. We can look at the responses early in the next year and decide what to recommend to Parliament. In the months immediately ahead of us we will be inundated with stage 3 debates on bills—some have still to go through stages 1 and 2—so the chances are that the issue would be debated in the new session. However, at least there would be a sense of direction. If the replies are negative, it would be better for us to say that that is the end of the matter as far as we are concerned, instead of kicking it into the long grass with no conclusion either for or against.

**Karen Gillon:** Given that we have talked about a lack of responses, I plead with the witnesses not to start an e-mail campaign that will cause our system to collapse, as has happened in the past. Can you find a different way of conveying responses to members? During stage 1 consideration of the Bankruptcy and Diligence etc (Scotland) Bill, there was a problem with the system that presented members with serious difficulties.

**The Convener:** It might be worth while for *The Scotsman* to take a vote among its readers and for the RSPB to take a vote among its members on whether there should be a national bird and whether that bird should be the golden eagle. If you can present firm evidence that there is widespread support for the proposal, it will enable us to progress the matter more effectively.

**Shiona Baird:** I am a bit concerned about the use of the word “stunt”, because this is a really serious issue. We have a Parliament; there is no reason that we should not also have a national bird. It is important to encourage people to think

about wildlife, because it is the indicator of what is happening in respect of climate change. The proposal is positive if it raises awareness and increases understanding of what the golden eagle looks like. When I was in the tourism business, it was wonderful as the buzzards flew across to hear the cry “There are two golden eagles.”

**The Convener:** The quid pro quo is that something should be done to save the racing pigeon. The RSPB has not been very good at that.

We have universal agreement to progress the matter. We will talk to you again in the next couple of months.

*Meeting closed at 16:06.*



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