

# **ENTERPRISE AND LIFELONG LEARNING COMMITTEE**

Wednesday 1 September 1999  
*(Morning)*

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## ENTERPRISE AND LIFELONG LEARNING COMMITTEE 2<sup>nd</sup> Meeting

### CONVENER :

\*Mr John Swinney (North Tayside) (SNP)

### COMMITTEE MEMBERS:

\*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

\*Miss Annabel Goldie (West of Scotland) (Con)

Mr Nick Johnston (Mid Scotland and Fife) (Con)

\*Marilyn Livingstone (Kirkcaldy) (Lab)

\*George Lyon (Argyll and Bute) (LD)

\*Ms Margo MacDonald (Lothians) (SNP)

\*Mr Duncan McNeil (Greenock and Inverclyde) (Lab)

\*Dr Elaine Murray (Dumfries) (Lab)

\*Elaine Thomson (Aberdeen North) (Lab)

\*Allan Wilson (Cunninghame North) (Lab)

\*attended

### THE FOLLOWING MEMBERS ALSO ATTENDED:

Mr David Davidson (North-East Scotland) (Con)

Helen Eadie (Dunfermline East) (Lab)

Mrs Margaret Ewing (Moray) (SNP)

### WITNESSES:

Henry McLeish (Minister for Enterprise and Lifelong Learning)

Nicol Stephen (Deputy Minister for Enterprise and Lifelong Learning)

Mr Alasdair Morrison (Deputy Minister for Highlands and Islands and Gaelic)

### COMMITTEE CLERK:

Simon Watkins

### ASSISTANT CLERK:

David McLaren



## Scottish Parliament

### Enterprise and Lifelong Learning Committee

*Wednesday 1 September 1999*

*(Morning)*

[THE CONVENER *opened the meeting at 10:32*]

**The Convener (Mr John Swinney):** Good morning. I open the proceedings of the Enterprise and Lifelong Learning Committee this morning by welcoming committee members, members of the public and the media. I particularly welcome the minister, Mr McLeish, and his colleagues. We are joined today by David Davidson and Helen Eadie, who, although not members of the committee, are members of the Parliament who have expressed an interest in the committee's work. I welcome their participation, which, of course, is subject to their catching the convener's eye.

I invite Mr McLeish to introduce his team and then to make a statement on the priorities of the enterprise and lifelong learning department.

### Scottish Executive Policy

**The Minister for Enterprise and Lifelong Learning (Henry McLeish):** On my right is Nicol Stephen, who is dealing with lifelong learning in particular and with enterprise, and on my left is Alasdair Morrison, who is dealing with the Highlands and Islands and with tourism—an issue that is very much to the fore. That is the ministerial team.

As one of the architects of the structure of committees in the Parliament, I want to express my sincere belief that the committees will be the strongest part of the Parliament. I look forward to a constructive relationship with the Parliament. Committees have a tremendously effective role in scrutinising. I make it clear to all members of the committee that we want to work closely with you. This morning, I will outline a number of areas in which we want your immediate participation and response. If there is one area that is vital to the future of Scotland, it is the interface between lifelong learning and enterprise. I will list some of our priority areas and I will then be willing to participate in discussion with the committee.

I hope that the atmosphere of our discussion will be one of confidence. That is not the same thing as complacency, but the overall picture in Scotland is such that we should feel confidence in facing the future. At a macro-economic level, we are experiencing low inflation and sound public

finances, which are the essential foundations for high and stable rates of economic growth and employment. Scottish exporters are performing resiliently in the face of difficult trading conditions.

The level of Scottish manufactured exports rose by 8.3 per cent in real terms in the year to the first quarter of 1999. The July 1999 Confederation of British Industry survey for Scotland indicates that total output is expected to increase over the next four months. The July 1999 Bank of Scotland survey reported that manufacturing output increased for the fifth consecutive month and that export orders increased for the first time since September 1997. Figures have been published this morning that build on the Bank of Scotland's July survey. Service sector business activity increased for the ninth month running, at the fastest rate since March 1998.

Unemployment is also low by historical and international standards. The latest figures show that employment is increasing. It is important to note that unemployment is at one of its lowest levels for nearly quarter of a century. There have been recent successes in inward investment. Lunn Poly is responsible for up to 1,000 jobs, Travel Choice for around 400 jobs and this week the Atmel Corporation increased its work force to around 200. There was also the excellent announcement yesterday that Quintiles is to create about 1,500 new jobs.

That is not to underplay the unfortunate recent closure announcements, which are obviously distressing for the individuals involved and their families. The challenge is to find new jobs for the communities that are affected and to retrain the work force to benefit from those jobs. In the past two years there have been 19,000 new business starts. The new deal is tackling the problems of the long-term unemployed. For example, 10,100 young people now have sustained employment as a result of the initiative and a further 9,200 have moved into education and training or have found work experience.

There has also been a major growth in higher education. More than 50 per cent of our young people go on to some form of higher education and there has been a significant increase in the number of mature and part-time students. There has been similar growth in the further education sector and a number of major initiatives are under way to promote training and lifelong learning, some of which I shall refer to later.

Overall, I argue that we have grounds for confidence. The enterprise and lifelong learning department was created to build on that confidence, in recognition of the fact that the economic future depends on enterprise and knowledge, the encouragement of innovation and ideas and the continued development of an

educated and skilled work force.

It is important to acknowledge that there is a European dimension to the work that we are doing both in lifelong learning and enterprise, that there is a Westminster dimension to both those responsibilities and that this Parliament has real and significant powers to effect positive change. The alchemy—or chemistry—of all this will lead to the best results if we work closely with those three components.

Competition in the global economy is intense—every member of the committee will acknowledge that—and technological progress is extremely rapid. We must recognise that change in the economy is a constant and that the key to success is the creation of a culture and a business and learning environment in which we can adapt to that change and seize the economic opportunities that are available, in the interest of creating prosperity and to avoid the damaging effects of social exclusion.

We must achieve that environment in ways that are environmentally and socially sustainable. We need to do more to encourage entrepreneurs to start up new businesses. We have set ourselves the target of creating 100,000 new businesses over the next decade. That is partly a question of education, and for that reason we will attach particular importance to the stimulation of an entrepreneurial culture at all levels of the education system by further developing contacts between the world of business and the world of education.

A national centre for education for work and enterprise has recently been established at the University of Strathclyde. We are working with Scottish Enterprise and Highlands and Islands Enterprise to improve the quality and consistency of business support. We have also recently established the business growth fund to support start-up and early-stage businesses. A new business mentoring scheme is planned. As you well appreciate, convener, starting up a business is one thing, but ensuring that it survives and succeeds is another. Our focus should be on nurturing businesses and providing them with every support that we can.

All businesses need to be more aware that the economy is becoming increasingly knowledge-driven. We plan to build on the work of the knowledge economy task force, whose report was published in April. I will be leading an initiative to promote awareness of the opportunities of the knowledge economy throughout Scotland. Indeed, the first seminar to explore with local people how the Government can help took place in Inverness last Friday.

It will also be important to spell out the risks of

failing to embrace the knowledge-driven economy. For example, the development of e-commerce is a threat to local businesses, which could find their markets eroded as customers become familiar with making purchases on the internet. We are not doing well enough in that area. This is a priority for the United Kingdom; I hope that it will be a priority for the Executive and for this committee.

The manufacturing sector is particularly important. I am committed to producing a Scottish manufacturing strategy and will be meeting employer organisations and trade unions on 8 September. I expect to produce a strategy by the end of the year. It is necessary to emphasise—we may come back to this during questions—that manufacturing is vital. Concern has been expressed in parts of Scotland that, with the emphasis on the service economy and the recent spate of inward investment, manufacturing is now of secondary importance. Nothing could be further from the truth. Scotland is good at making things, which is why we want to embark on producing this country's first-ever manufacturing strategy. Again, I would warmly welcome the involvement of the committee in that.

The knowledge economy task force identified a number of actions to develop the commercialisation of the research base in our higher education institutions. This is a particularly important area. The Executive is making available additional financial support to translate good research into commercial propositions. A special category of awards has been successfully introduced to encourage science-based company start-ups. Under the UK Government's science enterprise challenge, a consortium of Scottish universities has bid to establish a centre of enterprise in Scotland to foster developments in this area. Such a centre—assuming that the bid is successful—will be an important instrument for change. The Scottish Executive will want to work closely with it.

Tourism is also a vital industry, with great potential for Scotland. Figures for the United Kingdom for January to May of this year show that spending is 13 per cent more than it was in the same period in 1998. On the other hand, the number of overseas visitors is estimated to be roughly the same as it was in 1998. Along with Alasdair Morrison, I have been consulting widely on a new strategy for tourism, which we would like to publish around the turn of the year. I could go into this in more detail, but I suspect that it will be an area for further discussion.

Developing the skill base is also vital to the future of the Scottish economy. Yesterday, at the launch of 1,500 jobs at Quintiles, the bosses of the firm identified human capital—skills and knowledge—as one reason why it came to

Scotland. That reinforces our belief that it is in this area that Scotland will achieve success in the next century. It is absolutely vital that we reflect that in our work.

10:45

The Scottish university for industry will be operational in the autumn of next year; £15 million is available for its development over the next three years. The university will play a vital role in boosting competitiveness and combating social exclusion.

As committee members will be aware, we are developing the University for the Highlands and Islands; indeed, after recent visits to southern Scotland, we are considering a university of southern Scotland. That reinforces the general point about the importance of education.

Improved technical training is also important. We will therefore give a high priority to the promotion of modern apprenticeships. I hope to be in a position to make a further announcement about that shortly.

The key to our approach is the involvement of more and more people in the process of lifelong learning. That lies behind our plan to introduce individual learning accounts, which we plan to launch next year with a target of 100,000 accounts by 2002. Those accounts will help people to invest in their own learning, with contributions from their employers and, in some cases, the state. The details will be announced in due course. Lifelong learning is a concept; I hope that the committee will help me to promote changes in Scottish society and its attitudes so that we can all work on the principle that education is for all. That will require a lot of work and I want to work closely with the committee on it.

Similar motives lie behind our wish to improve access to higher and further education. The planned increase in support for mature part-time students on low incomes and the planned increase in access funds will help us. The same motives also lie behind our support for the University of the Highlands and Islands.

Financial support for students is clearly an important area of debate, which goes much wider than the argument about tuition fees. That is why we have set up the independent committee of inquiry under Andrew Cubie's chairmanship to examine the issue in detail. It is, as members will be aware from the press, consulting widely. The review is timely, as participation in higher education nowadays is very different from what it was in the past. The picture of the university student going straight from school into higher education tells only part of the story. As I have said, the number of mature students and part-time

students has significantly increased and there has been significant growth in the delivery of higher education within our further education colleges.

The fact that there are 660,000 students in higher and further education is a success story. Again, I hope, convener, that our work and the work of your committee will increase that number and, more important, enhance the quality of our graduates.

In conclusion, I hope that this rapid survey of an important and extensive field of the Scottish Executive's activities has been helpful to the committee. The final point that I want to emphasise is, as I said at the start, how keen my colleagues and I are to work collaboratively with you. We will participate in inquiries and try as hard as we can to provide information that will assist you in your work. I believe that that is the right way forward.

After three months of getting involved—visiting companies and going around Scotland—I can say that Scotland should be confident and aspirational. There is a lot going on in industry and in higher and further education to give us a solid base for the future but—and it is a big but—change is taking place so rapidly and technology is accelerating at such a frightening pace that, unless we make a step change to tackle vigorously the challenges, our economic prospects will not be so good. I am signed up for that task, as I am sure the committee is.

We look forward to participating in the question and answer session that will now follow. Thank you for the courtesy of inviting us; we are delighted to be here.

**The Convener:** Thank you very much, Mr McLeish. The committee appreciates the positive stance that you have taken on how the Executive can work with the committee. We have also appreciated the amount of information that your department has made available to us as background briefing for this meeting—that has been extremely helpful.

You will be aware that we held an informal meeting last Monday with representatives of various organisations in Scotland, many of which have a close relationship with your department. We appreciated their helpfulness and the frankness with which they spoke about some of the policy issues that need to be resolved.

We will want to cover a number of issues and I hope that you will spell out ways in which the Executive and the committee can work in particular areas. Although you have commented on the role of the committee in relation to inquiries on tourism and other aspects of our remit, further information would be appreciated.

When talking about the economy, you rightly highlighted the importance of recent announcements, particularly the one about Quintiles. That—along with the comments that were made by an enterprise agency official yesterday—is useful in capturing the nub of one of the problems that we face. The official said that he was optimistic that workers from the Continental Tyres factory, which has had some bad news recently, would find alternative employment at Quintiles. That is an admirable objective but it encapsulates the difficulty of the change from an old technology manufacturing base to a sophisticated high-technology base. How will the Government ease the transition from the old economy to the new one? That seems to be the basis on which the prospects for individuals rest.

**Henry McLeish:** I agree that a major challenge lies ahead. Recent inward investment announcements have been in biotechnology, smart card technology and call centres—different industries from those that Scotland has traditionally had. However, considering the number of people who are employed by big organisations, we have to work on the transition to the new economy that is looming large.

Some traditional areas of industry could—with the benefit of new technology, more efficient processes and more investment—continue into the next century. That is a vital part of what the Executive and Scottish Enterprise want to do. We also want to get employment benefits from the knowledge-economy industries. That could come from higher or further education and the rest of the culture of education that has developed around that economy. Moreover—I suppose that this is the Quintiles issue—we want the knowledge-economy industries to develop in Scotland. Those are the three strands of our strategy. However, it is crucial that we ensure that systems are in place to deal with traditional areas of manufacturing, which are global in nature.

You mentioned Continental Tyres. There will be a statement on that this afternoon, following which I will take questions. To put your central question into context, I have to spell out some of the things that we are doing. Volvo has announced that it is closing down its Irvine plant and we are considering that situation. We want another manufacturer to replace Volvo and discussions are taking place between Volvo and an interested player. Obviously, I cannot say much more than that, but it highlights an area of action.

Kvaerner Govan is a success story. Excellent work has been done with a willing seller and a willing buyer in a different kind of situation from the one in Irvine. I am involved with Kvaerner Energy in Clydebank and together we are examining three units that employ 700 people and are involved with

products, services and traditional manufacturing. We are considering ways of moving forward from that base; bids will come in for those units this week. We will also consider the situation in Bishopton, after an invitation from the Transport and General Workers Union, and continue to work on Continental Tyres.

Each of those situations is different in terms of products, futures, people selling and people buying, but they are all to do with manufacturing. We need to tailor our responses to individual circumstances.

I want to pinpoint three areas in which the committee will want to give me its views, as we need to take matters forward. This is a new Executive. We have now had a chance to look over what has been happening in all areas—some at first hand, others more from an historical perspective.

Next week, we will have our first meeting on a strategy for manufacturing. That strategy will look to the future, but will also encapsulate some of the difficulties that we face. We need the committee to comment on that.

Secondly, I have asked that we consider what I call a rapid-response service review. The department and Scottish Enterprise are doing excellent work, but can we do better? We are the envy of most, but I would always look to improving how we respond. Again, that is relevant to the issues that we have talked about.

Thirdly, it has been suggested that we develop a labour market unit, which will look more specifically at intelligence in the workplace and in employment generally, so that we can have access to a better range of intelligence when dealing with problems.

Those are three positive steps forward and I invite the committee to become involved in supporting them. I apologise for taking so long, but I wanted to set out the wider view of where we are going and to emphasise the need to deal with difficulties—especially in manufacturing—as they arise.

**The Convener:** Your point about the rapid-response unit and the room for improvement in that area is welcome. Other members of the committee will want to probe how that relates to a possible redirection of the enterprise networks. From the information with which you have provided us, I notice that you are basically comfortable with the areas that those networks cover.

Before giving other members of the committee an opportunity to speak, I want to make one more point about manufacturing. It concerns external factors. You referred to the European dimension,



the Westminster dimension and the Scottish dimension. That is taken as read. However, what about currency factors, which are outwith the province of this Parliament and which can make manufacturing circumstances very difficult? What representations can be made, and how effective can this committee and your department be in providing a base of competitiveness for Scottish-based companies that is not undermined by the strength of sterling?

**Henry McLeish:** Let me approach this problem in two ways. First, I am greatly encouraged by the fact that we have a new Parliament in Scotland, which can make representations in a much more vigorous, focused and articulate way than was possible when Scotland was represented by the UK Government. The role of this committee and of the Parliament will be important, because they can, to greater extent than was possible in the past, articulate Scottish concerns about some of the financial issues that you have raised.

Secondly, we need to ensure that we use Scotland's economic indicators—our concerns about employment and our employment potential—to make it crystal clear that different circumstances may prevail in different parts of the United Kingdom. It is up to the committee and the Parliament to make those representations. We will be making those points in our own dialogues.

There is also someone in Scotland who deals with Bank of England issues, and we will be in contact with them; I hope that the committee will be too. We need to encourage that way of thinking—because we have a new Parliament, we can do that much more positively than we could previously.

**The Convener:** Do you have concerns about the current level of sterling?

**Henry McLeish:** Earlier I said that, despite the difficult trading conditions that some manufacturers have experienced, we have seen exports rise in the first quarter of this year by 8.3 per cent. That bears comparison with the figures for 1998 and 1997, each of which is above £18 billion. It is quite clear that, despite the difficult trading conditions, our manufacturers have looked to ways of improving productivity, improving efficiency and ensuring that difficulties in the marketplace are overcome. The fact that our industries have been doing so well in difficult conditions reflects very positively on their future.

**George Lyon (Argyll and Bute) (LD):** I want to raise some issues with you, minister, about the development of the knowledge economy. However, before I move on, I want to comment on your previous remark. Some industries are managing to cope with the strength of sterling, but that is by no means the case across the full

spectrum of industry. As you are probably aware, quite a number of our industries have been brought almost to their knees because of the strength of sterling. The picture is not all bad, however, and, I hope, some of the holes can be dealt with.

11:00

There are three areas that I would like to address regarding the knowledge economy. The first is the transfer of knowledge to spin-off companies, which is where Scotland gains real benefits—it is where knowledge is developed into real ideas that have commercial possibilities. Some of the universities have said that there seems to be a hole in the funding allowances to develop ideas into commercial projects that a company would take up. I believe, minister, that your department has looked at that issue. Could you give us a detailed framework of what you are trying to do?

Secondly, we heard in last week's committee that one of the big problems facing the Scottish economy is risk aversion in the financial sector. That is part of the discussion about how we can benefit from the pure knowledge that we have in Scotland—how we can develop it into commercial prospects with real companies and real jobs. How do we address the problem of risk aversion?

The third issue that came through strongly in the submissions that we received last week was, again, the culture problem in Scotland—the fear of failure and the stigma of bankruptcy, which is a risk for so many who may wish to develop their own companies. We have a cultural problem in that we view failure as damning—it is seen as an indictment of people for the rest of their days—whereas in countries such as the United States the view is that the person has the experience to sort out problems the next time round.

Those are three crucial questions in the development of the knowledge economy and I wonder what steps your department is taking to address them.

**The Convener:** Those are very big and very long questions, but I am sure that the minister will give us concise answers.

**Henry McLeish:** This is an area in which concise answers are most appropriate. The first point is valid. We are concerned that, to put it simply, getting products from the lab to the workplace remains difficult for Scotland, although progress has been made. I want a greater coming together of Scottish Enterprise and the higher education institutions. They are in dialogue, but it is not enough. That will be the first step.

Secondly, the Government is involved. For

example, this morning we launched a number of projects with a £1.7 million innovation prize to encourage leading-edge technology in small companies. So the Government can do—and is doing—its part.

Thirdly, next week we will launch a paper on the future of science. From scholars right through to graduates we are not getting enough people involved in the science base. There are 52,000 graduates, but as a proportion, general areas of science are declining against the total. We need to do something about that, and apart from my speech on the science strategy, we need to establish a science body in Scotland that will take ownership of those issues. The committee will want to see the work that I am doing on that, and to comment on it.

Fourthly, Scotland is well served by individual universities. We are world leaders in a number of areas, including biotechnology. Work is being done at Heriot Watt on front-end technology in oil and gas, and at Glasgow on the medical side. Each university is working well, but by coming together we can get a greater contribution to the Scottish economy than currently. The point is well made. Things are happening with Scottish Enterprise and with the Executive, but as I said earlier, the step change must happen more quickly, and that will be one priority area in which we will be involved.

Mr Lyon raised a point about risk aversion. We could be involved in a long philosophical debate on that, but time is not on our side. We must take the point that—as in America and other countries—people take risks. One can take risks with private capital or, sometimes, with public capital. However, there is a culture that says that unless you can provide security to a very high degree, nothing will happen. I am not sure, apart from the steps that we are taking, that there is a speedy response to that. Nevertheless, attitudes must change, and I want to stress publicly that attitudes are crucial to everything that we are doing in every aspect of the knowledge economy.

I was at a launch in North Ayrshire, at which the EDI Group linked with North Ayrshire Council and set up a technology ventures initiative to attract call centres. That is a coming together of key skills. Initiatives that make better use of venture capital and whereby local authorities provide some security can happen throughout Scotland, and can break down the risk aversion in this country.

With regard to George Lyon's point on the culture of failure, I said earlier that Scotland should be a confident country. We have problems, and we will tackle them, but we must trade on our strengths, which are formidable. The transition between the economy that we have now and the economy that we need to have in 10 years' time

will be difficult. It will be up to us as political leaders to try to shape it. There is an attitude problem, but we must believe in ourselves. It is a simple point, although belief in ourselves is difficult to quantify. I take on board the points that the convener and George Lyon made, that not only the Executive but the committees of the Parliament can help with that.

**Ms Margo MacDonald (Lothians) (SNP):** I want to switch topics and pick up what you said about the need for better early-warning and intelligence systems, and the rapid response role. I am especially interested in what is happening here in Edinburgh, which is at the hub of the tourism strategy, as that will be the biggest earner. Our overview on what is happening in e-commerce should be as sharp as possible. We have to take risky decisions. For example, there is talk of developing Princes Street in Edinburgh. I am sure that you know that there are various plans, but they seem to be running counter to a growth in e-commerce, which is the biggest area of trade growth. As the minister, what role do you play? You said to us that you have great powers to lever change within this Parliament.

**Henry McLeish:** Yes, within the devolved settlement.

**Ms MacDonald:** I am interested in how you will use those great powers to lever the change from the shopping centre that has been developed to attract tourists to the new type of tourism and shopping that we will have.

**Henry McLeish:** I remember another life when Margo MacDonald used to ask me questions on that subject.

**Ms MacDonald:** Nothing has changed.

**The Convener:** Have the questions changed?

**Henry McLeish:** The questions have changed. They are more complicated.

I am not sure that I should even step gently into certain matters related to Edinburgh, and Margo MacDonald will appreciate that, but the important question has been raised about the new activities worldwide, and they are happening in Edinburgh as well as in every other part of Scotland. Under the devolved settlement, we have substantial powers with regard to lifelong learning. The settlement also prescribes the specific powers and legislative competence that we have for enterprise. That is why I made the point that we have substantial powers in those areas, and we should use them to maximum effect.

I referred to e-commerce because it is one area that needs further, dramatic exploitation in Scotland. It will change thinking. For example, we are attracting a large number of call centres. That is an excellent development, because some are at

the low end of the technology scale while others are at the higher end.

I think that the point that Margo MacDonald was making was that often developments in the internet and e-commerce could be in conflict with what is happening on the ground. That will take some time to develop. However, the point that I want to make is that if our business community does not start to link into the technology—it is underdeveloped at present, but in a few years' time it will be well developed—we might fall back.

I endorse the main points that Margo MacDonald made, although I am reluctant to get involved in the specifics of the situation in Edinburgh. I will say only that e-commerce is vital and that the changes in industry and tourism to which Margo referred need to be recognised.

**Elaine Thomson (Aberdeen North) (Lab):** I suspect that you have just answered the question that I wanted to ask, which relates to e-commerce and the need for it to be developed. As you said earlier, e-commerce moves Scotland's businesses into a new situation, in that they will have to compete on a global basis, via the internet. I am concerned by reports that Scotland is beginning to slip behind in developing e-commerce, which, as you say, needs to be developed rapidly and urgently. This is a one-off opportunity. If we do not encourage Scotland's businesses to take it now, they will be unable to do so in future.

I wonder how much awareness there is in Scotland's business community of the impact on businesses of e-commerce and the internet. As you said, that applies not only to high-technology companies, but to butchers, florists, hairdressers and everyone else. I welcome any comments that you have.

**Henry McLeish:** I want to embrace the comments that were made by Elaine Thomson and Margo MacDonald. I am frustrated that we are not moving as quickly as we should. As has been said, that is partly because many people in business think that e-commerce and the internet are all about high-tech and sophistication, and are, therefore, not for them. However, technically, e-commerce can be applied to any business, because the trading nature of products is due to change quite dramatically.

An important bill has been published at Westminster, which tries to address some of the issues around security and people's inability to understand the system. However, when I was in Greenock last week I spoke to some of the senior managers of IBM, who again flagged up the point that, worldwide, countries are making tremendous strides, and expressed concern that we are not. That was a wake-up call to me and to Scotland that we need to be doing more. Scottish Enterprise

is now actively working on moving the process forward.

In the presence of this important committee and the press, I would like to take the opportunity to issue a wake-up call to Scotland. E-commerce is not for somebody else—it is for us. It is reasonably underdeveloped at the moment, but if we do not get a foothold in the technology and the trading areas to which it relates, we will not be well served in the next century. I intend to get more details of what Scottish Enterprise is doing, and will furnish them to members of the committee.

**The Convener:** That is very helpful.

**Miss Annabel Goldie (West of Scotland) (Con):** I was particularly interested in the comment in the minister's statement of priorities on the need to promote entrepreneurial culture generally, especially in schools, by maintaining strong links between business and education. I applaud that approach, but I am interested in how you anticipate fleshing it out. What will you do if, for example, local business that is trying to work in conjunction with schools informs you that what it is getting back is—for its purposes—irrelevant or inadequate? Do you anticipate allowing the business community to influence the education that is provided?

**Henry McLeish:** Encouragingly, that is what is happening throughout Scotland. There is a general trend for business and education to get closer together. On the lifelong learning front, we are encouraging that post-16, and I gather from speaking to companies around Scotland that they are forming links with schools. They are contributing technology and computers to schools, and are getting feedback in return, which spills over into entrepreneurial ideas and getting young people involved.

I will be meeting businessmen, such as Richard Emanuel, who suggest that we develop a programme—with the Minister for Children and Education, and the Secretary of State for Education and Employment—to make more young people aware of what setting up a small business is like and the challenges that it might present.

11:15

The point of setting up a business is to provide a product, but it also has a human side in that it appeals to the person who wants exciting self-development. The committee talked about confidence and risk taking, but we have to reinforce the entrepreneurial message that the knowledge economy is about ideas, innovation and making sure that our education system does not simply put people in slots but can interest people in different businesses, jobs and ideas, and exhibits the flair that Annabel Goldie was talking

about. We have embraced that concept and have done much detailed work, but it is an area that we still need to push forward.

**The Convener:** Your points about the attitudes towards entrepreneurship are important and were well made, but there are problems with the ways in which enterprise support is made available. Elaine Murray would like to pursue that point.

**Dr Elaine Murray (Dumfries) (Lab):** I note that your department is content with the structures of enterprise networks. Are you equally content with the accountability of the networks? There is a perception that the ways in which the local enterprise companies dispense funding are not all that accountable.

I welcome the emphasis that you place on the commercialisation of science and the development of a science strategy. As a scientist in a previous life I have noticed that that has long been absent from British research. Perhaps we are beginning to catch up with where we should have been. What should be the role of the research institutions in higher education establishments in supporting industry? We have talked about start-up assistance to new companies, but our scientists have a role in supporting our existing manufacturing industries.

I would not like everything to be drawn into the centres of excellence around the central belt. As you know, there are types of manufacturing industry that would benefit from up-to-date research being done in our research institutes. Does the knowledge base in Scotland have any implications for the desirability of Scotland as a manufacturing base for industry? If so, what effect would that have on the funding mechanism for science research?

**Henry McLeish:** In relation to your first point, I am not content with anything. One of the privileges that ministers have is that we are never complacent enough to become content. That is my motto.

Neither the initial paper that we sent to committee members nor my presentation today focused on the structure of the local enterprise companies, but we will always consider ways to review enterprise structures at national and local level. I thought that we should concentrate on the substantive issues in which the local enterprise companies are involved rather than re-examine their structures. I assure the committee that, if it decides to examine that area, I should be delighted to know the facts that emerge. Scottish Enterprise does good work, as do the local enterprise companies, but that does not mean that there is no room for improvement.

Elaine mentioned accountability, which is a difficult issue. All local enterprise companies are

accountable to me, but MSPs and other interested parties might not think that that is the best line of accountability. The small business community does not feel that it is as involved as it should be. I have asked the Federation of Small Businesses and the Forum of Private Business to give me evidence of that and I am willing to work on it. I have an open mind.

**The Convener:** I understand the point that has been made about structures, but there are issues of performance, which you touched on in your previous answer, that are material to delivering the ambitions that you set out today. Those ambitions might be compromised by the inappropriateness of structures, by performance or by the ability to push performance through an effective channel of accountability.

**Henry McLeish:** I talked to you earlier about the areas in which the committee would have an interest. I am always interested in every aspect of government and in value for money that is linked to some form of output-related activity. To be fair to all the activities that I talked about, there are channels of accountability. However, my constant exhortation to everyone is that if we are spending £1, I want to get £1.10 in return. That is an issue that the committee might want to consider. We will be supportive in helping the committee in that.

In terms of the priorities that lie ahead, I would not want the department to be involved in a substantial review that would absorb a lot of energy. On the other hand, I know from your private comments, convener, and from other comments by members, that there are concerns about accountability. However, at the end of the day, let us have the evidence and let us not go anywhere as a Government or as a committee without considering the evidence. Much of that evidence is anecdotal, but it is an area that members of the committee might want to consider further.

I want to respond briefly to the other two points. I take again the points about science. Science is an abstract concept, but it is the base of the knowledge economy, a base for getting more people into higher education and a base that I want to see schools responding to better. The strategy will be crucial in bringing all that together.

The final point was about how we get the higher education institutions more intimately involved in small business development and manufacturing. First, that approach cannot be exclusive to the central belt. I take on that role. I have been to enough parts of Scotland to know that the Parliament can make a difference, because it has substantial representation from all over Scotland.

Secondly, we are working out new ways of ensuring that higher education and enterprise are

close to one another, rather than at a distance. We also want to encourage the small business community, through our SMART awards and a whole range of other schemes. Again, it is a question of attitude. In the past, business has been about business and education has been about education. By setting up an integrated department—the first in the UK and possibly the first in Europe—we can start to break down some of those barriers.

**The Convener:** As you mentioned at the outset of the discussion, there is a broad remit to cover. We have talked about enterprise for quite some time and I want to move on to discuss aspects of higher and further education.

**Allan Wilson (Cunninghame North) (Lab):** As the minister knows, enterprise and education are inextricably linked. The rest of the committee and I welcome the primary importance that you have attached to the manufacturing sector and its significance in the macro-economic industrial strategy that the department wants to pursue.

My question relates to the development of the skills base and the investment in human capital to which you referred. The Executive and the Parliament are ploughing serious money into further education: £44 million extra or thereabouts. As you know, the further education sector is a key driver in the development of the skills base, but since departmental incorporation it has been dogged by a string of problems.

How will we ensure best value for money in developing the skills base that we all want? How will we ensure that there is a flexible approach to that skills base at individual college level and at national level? Given that the further education sector will be a key driver of higher still and advanced qualifications, how will we get best value and ensure that the additional resources that we are putting into further education will deliver the results that we seek to achieve?

**Henry McLeish:** Before I respond to that, I have to mention that Alasdair Morrison has to leave. We apologise for any inconvenience that that might cause.

I want to begin by considering the context of the question. We are embarking on spending nearly £200 million extra on further education in the comprehensive spending round. That is much needed for technology and new buildings, but is also needed to consolidate the finances of colleges. Since incorporation, there has been much financial instability. There could be a variety of reasons for that, but we have earmarked—as it seemed we should—nearly £60 million to deal with the problem.

There is another issue: consistent management throughout the sector. That is why we asked the

Scottish Further Education Funding Council, set up on 1 July, to undertake a serious review of management at further education colleges. The idea is to examine best practice and to ensure that it becomes the norm; to root out bad practices and replace them with better ones. The clear message is that we need a context of financial stability and competent management to progress.

On skills strategy, the paper on lifelong learning, "Opportunity Scotland", was put out for consultation. That consultation is nearly finished, and we will produce a strategy from it. I suggest that a review of the consultation responses will be important. "Opportunity Scotland" and the issue of skills development are paramount to me, and will be of interest to the committee.

In response to Allan Wilson's question, we are doing an enormous amount towards skills at every level: there is the skillseekers programme for 16 and 17-year-olds, new deal 18-24, new deal 50-plus and training for work. We then come to "Opportunity Scotland", which examines the input from training organisations.

We are not doing as well as we might in some areas. The key issue is employment-based training, the volume of which must be increased. That is one of the promises which I have set myself.

I wish to ensure that everything—the range of initiatives—which the Executive is doing is brought together coherently to add value in the workplace in the form of more skills and to provide access through lifelong learning. For example, Scottish Power has 56 learning centres. My plea would be for every workplace to become a learning centre.

Modern apprenticeships, the right to take time off to study for training, the development of the careers service, adult guidance strategy, the Beattie committee, the university for industry and individual learning accounts represent a plethora of good schemes and programmes that are under way. My main concern, and that of this committee, is to bring more coherence; "Opportunity Scotland" and our response to it, will be the key to that.

**The Convener:** The issue of coherence has struck us all because of the discussions that we have had with various organisations. Marilyn Livingstone has raised those points with us already.

**Marilyn Livingstone (Kirkcaldy) (Lab):** I wish to continue with the issue of coherence. We have discussed large funding increases for the further education sector, and we have said a lot about delivering training in situ, which benefits people from remote areas, those who feel disaffected or those who feel that large educational establishments are not for them. Funding is going into further education colleges, local enterprise

companies, companies themselves and training providers: how can we ensure that they maximise the use of that funding and that all players are working together to deliver for the needs for the community?

My second point is more specific and relates to the Beattie report. I know that it will be launched on 10 September and do not wish to pre-empt its recommendations, but we are interested in what additional support will be given for the transition to post-school educational training for people with special training needs and, importantly, for those with a profound learning or physical disability.

**Henry McLeish:** On Marilyn's first point on wider community involvement, skill development and education, a variety of things are happening. For example, I was in Fife—I often forget what day of the week it is, but it was a few days previous to this—

**The Convener:** You also represent the place.

**Henry McLeish:** It was not in my, nor in Marilyn Livingstone's, constituency. I was at the Cosmos learning centre in St Andrews, which is a £250,000 outreach project. Glenrothes College is involved, as is European funding. We are saying to people that such centres are now here. The centre is attracting a lot of interest from both younger and older people. That is one of the ways of outreaching in Scotland that is heartening, but it has to be part of a coherent strategy.

11:30

Secondly, there is the issue of college development and—we hope, in the future—university development north and south of the central belt. That is sending a powerful message that such development is not the preserve of the central belt.

The third issue in which I am interested concerns, for example, the way in which the Scottish Power open learning centres were opened up to employees and to the families of employees. If other companies can follow that lead, that will be one way of opening up communities.

I visited Motorola, which is developing an American concept by creating the Motorola university. That is not as sinister as some might think; the company is bringing in skilled students from the colleges and universities to acquire in-company training and qualifications. That partnership is boosting the colleges and universities, and is linking up industry and higher and further education in a positive way.

Our response to the Beattie report will be published next week. I do not want to go into the details at this stage, but I would be happy to share

with Marilyn Livingstone some of its content. We will publish the Beattie report and we will give an initial response to it, but we will not go into the details of the areas in which we want to invest. For people from disadvantaged backgrounds, who have difficulty getting into education, and for those with learning difficulties or physical disabilities, the crucial point is from 16 onwards. It is important that we focus on that point, as that is where support services are urgently required. If we fail at that point, the other options will not open up for those people. I would be happy to discuss with Marilyn Livingstone and the committee the implications of the Beattie committee report.

**The Convener:** Marilyn has drawn the committee's attention to the strong collaboration in Fife between further education colleges and Fife Enterprise, in the delivery of educational training and support to that age group. Do you have any views on that work that you have seen locally?

**Henry McLeish:** I hate to sell Fife. If Kingdom FM is listening, this is my big plug for the day.

I think that that model is worth considering. I am sure that, over the next few years, the committee will want to study good practice, based on the principle that education is vital to Fife. All the agencies should work together. There has been a better link-up in Fife between enterprise, involving the enterprise company, the colleges and a progressive education authority. The ingredients are there and the mix is right. That model may not work everywhere, but it is worth considering. The Cosmos initiative—which Marilyn Livingstone described—is not just in situ provision, but is considering the community as a resource and is developing it not only for the people but with them.

**Mr Duncan McNeil (Greenock and Inverclyde (Lab):** We have lectured a certain part of the populace on the fact that lifelong work is no longer available, and that flexible work is the new way that everyone must accept. I am concerned that, although a lot of positive things are emerging from the new deal, there are barriers to people who accept the idea that flexible work is all that is available and feel that they must take it. I am also worried that the new deal is biased against people, particularly the over-25s, who are forced by economic circumstances to sign short-term contracts and to give up long-term educational opportunities. I hope that a new deal task force will be able to examine that issue and, where possible, link short periods of unemployment with educational opportunities in the new deal. Unless we can do that, people aged over 25 will be disbarred from new deal educational opportunities. We should ensure that people can return to the world of work and also seize educational opportunities to create their own job security.

The minister's second point stole some of my

thunder, but I was pleased to hear him commend the workplace learning centres. They are very important and I have had positive experiences working with them in the whisky industry and in other areas. Not only are they important because of the opportunities that they offer to individuals, but they are also important for the changing culture in many industries. They encourage co-operation between traditional opponents. We welcome such initiatives and it is a good thing that they encourage the involvement of families.

There are two issues that I want to raise. First, the minister mentioned the right to time off for training for 16 and 17-year-olds. Why are we stopping at 16 and 17-year-olds? Why cannot we look beyond that? It would be worth discussing that issue.

Secondly, we now have a flexible work force. Given the shift systems and the part-time and short-term contracts that people are working under, is the minister convinced that colleges and centres of learning are responding to the new work force and providing a service for it? Colleges are closed at weekends and observe term times. What would he be prepared to do to free up the resources of such institutions?

**Henry McLeish:** Duncan McNeil has raised a number of important issues. The new deal is a very effective programme and the figures speak volumes about its quality. More people are taking advantage of the further education aspects of the new deal in Scotland than in other parts of the United Kingdom.

However, I agree with him that the mix is important. What we have not yet got quite right is the post-16 situation. We should be developing programmes in which people can make choices about training without those choices being constrained because the course they want to pursue is not funded by a particular programme.

To be proactive about this matter, I will soon be asking my officials to examine all the post-16 financing. It is people's inability, not to get on to certain courses but to get finance, that prevents them from doing what Duncan McNeil suggests. His suggestion complements what we intend to do—to take a radical look at financial support for people's training choices.

I agree with what Duncan McNeil said about learning centres. Learning centres have mushroomed and they contribute positively to changing attitudes and helping the work force.

I do not often make overtly political points, Convener, and I shall try to avoid doing so now. During the past 20 years, however, some people have failed to recognise that the most valuable resource for industry is the employees in every company in the country. That is now being

recognised by progressive employers, but I want that attitude to be strengthened. That is why we are having discussions with the Scottish Trade Union Congress and with individual trade unions about their participation in developing some of the ideas that Duncan McNeil has mentioned. A partnership between employers and employees is vital and will serve us well. I assure the committee that I shall take an even-handed approach and discuss the issue with everyone who will be involved in developing such projects.

Mr McNeil also mentioned taking time off to study or to train. That scheme, part of Westminster's legislative programme, starts on 1 September and will involve 16 and 17-year-olds. Lifelong learning does not stop at 17, and we want there to be lifelong learning for all. That is in keeping with the suggestion that we should try to evolve those schemes to give people greater incentives and more encouragement.

The individual learning accounts that we are developing will be part and parcel of that project. We hope to get 100,000 of them off the ground soon, and finance is available for that.

**The Convener:** The new deal is a United Kingdom programme. Members of this committee would like it to be administered in Scotland by the Scottish Executive. What degree of discretion does the Scottish Executive have in policy issues relating to the new deal? It remains a hybrid area of policy, about which the boundaries are not terribly clear.

**Henry McLeish:** I understand the committee's interest in the complexities of the matter. Apart from the new deal, the skillseekers initiative and employment zones, we have a whole range of policy areas with which the committee will want to be better acquainted. The new deal is a matter of policy and legislative competence that is reserved to Westminster, but there is flexibility, and that can lead to constructive dialogue. The department will give the committee members a paper on that topic in order to hear your responses. That will be another opportunity for us to work together to see how some of the concerns about the new deal can be wedded into some of the policies.

**The Convener:** Is that an area that is likely to be covered by a concordat?

**Henry McLeish:** I am sure that it will be. Convener, you were fortunate enough to enjoy all the committee stages of the bill which became the Scotland Act 1998, when concordats were first mentioned.

**The Convener:** I enjoyed them very much.

**Henry McLeish:** I thought that I would remind you of that. There will be concordats covering every aspect of the relationships that we will have.

There are policy areas that are reserved to Westminster; but I agree with members of the committee that it is crucial that our voices are heard—indeed, the Executive's voice is already being heard. The new deal task force, chaired by Ian Robinson, is working with me; we in turn are working with Andrew Smith and David Blunkett on all those important issues. A committee input would be worth while.

**Ms MacDonald:** I will call you minister in this context. On a specific—

**Henry McLeish:** Is this going to be a difficult question?

**Ms MacDonald:** No, this is dead easy-peasy. It is a question about how the concordat will affect your real powers to bring about change within the devolved settlement. Sustained employment is defined under the new deal as three months' work. That benchmark might not be the benchmark that this committee would think of as being reasonable. We might not think that you are getting your £1.10 for every £1 spent. So how much elbow-room have you got?

**Henry McLeish:** I think I will revert to addressing you as Margo MacDonald for this one. Let me go back and clarify exactly what I meant by the three levels. It would be foolish of us—as a Parliament, as a committee or as an Executive—to pretend that we have competence in areas that are reserved to Westminster. Equally important, it would be unwise of us to raise the expectations of the people of Scotland in areas on which we cannot deliver.

As I said to Margo earlier, we must recognise three areas: Europe, which is important in relation to skills, for example; Westminster, which is important in terms of the new deal; and ourselves. We have total competence, and total financial powers, in certain matters. My main point is that we must use our competence and powers in those devolved matters to maximise the changes that we can bring about in Scotland. However, on the new deal, we have to acknowledge—well, I have to acknowledge; the committee may take another view—that we must work with Westminster. We must ensure that our concerns are debated and discussed, and ensure that they know that our aspirations may be different from theirs. We have to go through that mechanism, but debates and discussions will ensue. If that happens after the presentation of a well-thought-out paper from me, I think that that would help the committee.

**The Convener:** We would certainly appreciate some further guidance from the department about the degree of policy discretion that exists. The new deal may not suit particular conditions in the Scottish economy, and some of the points concerning flexibility that Duncan McNeil has

raised could be addressed.

**The Deputy Minister for Enterprise and Lifelong Learning (Nicol Stephen):** I think that it was Alan Sinclair from the Scottish new deal task force who came along and made a presentation to the committee. The task force is very active and is already making representations on the development of the new deal, on the need for greater flexibility, and especially on the need to be able to target resources at the bottom 20 per cent of those involved in the scheme, who need additional support. The members of that task force are represented on the United Kingdom task force, where they have a very influential role, working closely with the other members. If we can work closely with them to make effective representations to the UK Government—through this committee and through the department—it should lead to positive results.

This is an area where we can make a difference. There is considerable expertise in Scotland and the quality of the individuals who sit round the table in the Scottish task force is very impressive. There are already significant differences in the way that the new deal is operating with the local enterprise companies and the voluntary sector in Scotland.

Indeed, within Scotland there are quite significant differences within each regional area and we very much want to learn from best practice. It is a new initiative and people have been interpreting things slightly differently in different areas. Scotland can play an influential role in the development of the new deal if we can encourage the best practice to spread throughout Scotland and then try to influence the UK on how greater effectiveness could be achieved by changes in the regulations.

11:45

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** Last week I asked Alan Sinclair if he could make available to us the text of a letter that the task force has submitted to the UK government. I understood that it was going to be made freely available to all members of the committee. Because of the expertise and the direct experience of the new deal task force, their recommendations will tend to have more weight and merit than those of the rest of us who have not had that experience. Since then a question has arisen as to whether the text of the letter will be made available to MSPs—something that does not accord with the spirit of freedom of information. I gather that Ian Robinson is currently considering the matter. Will the minister use his influence with him to make available the text of that letter so that we can see exactly what the task force says, which may be constructively critical of the new



deal?

**Henry McLeish:** We are talking about people who have said that they want to publish the letter. I will deal with that. In the spirit of being open and transparent, I would like to respond positively. If we are going to have an open and constructive relationship on such issues, then I would want to see that happen. All the correspondence that the task force has been involved in is with me. I will look into it and I hope we can furnish you with as much information as possible.

**Allan Wilson:** One area, Henry, where there is no dispute over your department's competence and its powers is in achieving the very credible target you have set of 20,000 modern apprenticeships. Following Duncan's point about the introduction of the right to paid time off for 16 and 17-year-olds, the modern apprenticeships are a very important step towards securing that aim. We also met with the social partners involved in employment-based training and, while there was perhaps a difference of opinion on the exact volume of employment-based training taking place in Scotland, there was consensus that there was not enough of it, which is a view that I know you share, as does your department. How are we going to encourage more employers to support 16 to 18-year-olds in training? Does that inevitably mean a greater integration between further education and employment-based training?

**Henry McLeish:** On the latter point, that is a development that will clearly take place. As you know, we have a new target of 20,000 modern apprenticeships by 2003; the previous target was 15,000. There are currently just over 10,000 and that figure is not growing rapidly. It is an area that we are looking at very closely and a lot of effort has gone into getting the new modern apprenticeships up to that level, but it would appear that to climb further is going to require much more effort on everyone's part, especially by business and enterprise and industry. That is one of my current concerns. We are looking at that and I hope I can share with the committee quite soon some of the ways we want to try to move that forward.

People in Scotland have always talked about apprenticeships, often in relation to traditional industries. We are also keen to develop modern apprenticeships in the new knowledge economy industries. There are a lot of apprenticeships in engineering and electronic engineering. Those are areas that we want to develop. However, my main interest at the moment, besides the quality of the schemes, is the need to ratchet up interest throughout Scotland. We want to hit our targets, not for the sheer hell of it, but because that will ensure that 20,000 young people are involved in the creative industries of the future, as well as in

traditional industries. We are working on that at the moment.

**The Convener:** Does that mean that the figure of 20,000 is a global target—that there will be 20,000 modern apprenticeships in total, rather than 20,000 more modern apprenticeships?

**Henry McLeish:** The target was 15,000 by 2002, and it is now 20,000 by the end of this Parliament, in 2003. This is one area where we would genuinely welcome the scrutiny and views of the committee.

**Ms MacDonald:** Where is the difficulty in raising the numbers, Henry? Is it in small or in big companies?

**Henry McLeish:** Whenever something is introduced there is an initial surge in interest, which then tends to plateau out. That is what is happening here.

In all our discussions today we could have earmarked small business as one sector that has particular difficulty in taking on young people, although many such businesses do so. We need to find ways for small businesses to take advantage of the scheme, because they could provide some excellent training. However, there are also big companies in Scotland that could do more.

**Miss Goldie:** Minister, in your preliminary remarks on manufacturing strategy, you mentioned an intended review of the situation in Bishopton. May we infer from that that you anticipate defence work either ceasing or continuing to be part of the manufacturing base in that area?

**Henry McLeish:** We have been invited by the Transport and General Workers Union to participate in a group that it is trying to establish, and in correspondence the First Minister has agreed, that the TGWU should meet the Executive. That is as far as it goes. The situation has not changed, and the plant is due to close. The TGWU has come up with some ideas that it wants to discuss with various parties. There is no commitment beyond having it meet the Executive.

**Elaine Thomson:** I have a further question about modern apprenticeships. I notice that women and ethnic minorities are under-represented in the skillseekers programme and modern apprenticeships. I am interested to know what might be done to determine why that is, and to encourage more participation from both women and people from ethnic minorities.

There is a second part to my question. Much of the current thinking and strategy for developing a knowledge economy is to encourage more people to get involved in information technology and to be IT literate. I am concerned that the number of

women who are getting involved in that area—certainly in the higher education sector—is dropping rather than increasing.

Finally, I was pleased to hear you say, minister, that you will be trying to encourage more employers to offer modern apprenticeships in information technology. I notice from the information that has been given to us that in March this year there were no modern apprenticeships started in information technology. I welcome your comments.

**Henry McLeish:** The question involves an aspiration. There is no doubt that we need to do a great deal more to encourage ethnic minority involvement, and we, along with the Department for Education and Employment, are actively seeking to do that. The problem affects not only participation in the new deal—we have difficulty involving some ethnic minority groups in a wide range of government activities. It is not unique to Scotland, but affects the whole United Kingdom.

We are trying to address the problem in a number of ways. I could provide details, but the main point is that we want young people from ethnic minorities to have the confidence to participate and need the mechanisms to instil that confidence in them. We are working with civic leaders and a whole range of ethnic minority organisations, especially in Glasgow, to put those mechanisms in place. Just after taking up the job of Minister for Enterprise and Lifelong Learning, I went to speak to an ethnic minority business group, which was keen to get involved in the programmes. The group will be bonding with young people in the community to take that forward.

Linking IT to apprenticeships is vital. It is one of the issues that concern me, because if modern apprenticeships are to mean anything, there must be jobs available beyond the apprenticeship. I would like to think that in the new knowledge economy we will be able to develop information technology further. The idea is to get quality apprenticeships in whatever sector, but there will certainly be a push to get them in the areas that Elaine Thomson has mentioned.

The final point was about the participation of women in information technology. I do not have to hand figures that would enable me to confirm Elaine Thomson's assertion, but suffice it to say that all the colleges have open policies and that there is an enormous number of women in further education. Crucially, as a result of the labour market revolution, in most parts of Scotland there are more women employed than men. Never in this century has there been a time when the number of women in work was greater than the number of men. The current situation has a whole host of implications for child care, social policy

and, I hope, further education. We must ensure that expanding job opportunities for women result in an expansion of education and training opportunities.

**Mr David Davidson (North-East Scotland) (Con):** Earlier this morning, minister, you talked briefly about unemployment and training and the difficulties that are faced in some areas. I have a particular bee in my bonnet about the fact that many of our older-style industries—which you mentioned this morning—have work forces with skills that are going to become out of date. We also have evidence that the oil and gas industries are beginning to slip and that has been made very clear to me—and also to you, minister—in recent meetings.

Does the Executive have plans to move from taking a reactive role to a proactive one in looking ahead at particular industries that are running down or that may be at risk, either because of foreign investment opportunities elsewhere or because of a shift in technology? I hope you will you bring us up to date on that because it is an issue of major importance, not just in the regions, but in particular industries.

**Henry McLeish:** We are not moving—we are already there. I hope that the committee will see from the submissions this morning and from further dialogue that, in terms of individual company concerns, we are very proactive on a broad front. To flesh that out, I can tell the committee that we have economic forums in the Borders and Ayrshire, as well as in Dumfries and Galloway, where for want of another name they are calling it a working group.

Yesterday, we were in Clackmannanshire, where an extra £500,000 has been invested and where the Scottish Executive is getting involved in a partnership. In terms of individual companies and localities in Scotland, we are extremely proactive.

The challenge is how to handle the transition from where we are now to where we are likely to be in the future, because of global changes and global technology. It is crucial that first we get people round the table for discussion and then move towards a manufacturing strategy. That is considering the future, which is what we are about.

However, I am conscious that there are different companies at different stages of development in different industries throughout the length and breadth of Scotland. No Government or Executive has access to, or is involved with, the overwhelming majority of companies in Scotland, because they are in the private sector and do not want to be involved in Government. Those companies are creating prosperity and jobs and that is quite right.

After considering where we are, I think that we do a very good job in terms of responding, but we could always do better. That is why I am talking about creating the labour market unit next year. Equally important is the rapid response service. However, the rapid response service is only as good as the information that we receive from companies. Some companies that are in difficulty will not come to the Government for help.

Yesterday, when we heard that Kvaerner was again shedding labour worldwide, I rang Nora Radcliffe, the Liberal Democrat MSP for Inverurie, to discuss the matter. That is an example of one aspect of rapid response. There are a few elements to rapid response inclusivity that we want to improve and develop. The Executive is very keen to learn from experience and not only to build the best facilities that it can for new industries, but to alleviate the problems faced by existing ones.

12:00

**The Convener:** I will take two more, brief, questions before we move on to tourism, which will be the final topic for discussion today.

**Fergus Ewing:** I was disappointed, minister, to see that the problems that face small businesses are not mentioned in the Executive's priorities, although I am pleased that you convey a sense of goodwill towards small business and that you are "working closely" with the committee. Will that close working involve taking up the following specific suggestions to help small businesses, many of which are facing crisis?

With regard to the rates revaluation, will you introduce a de-rating for small business, as the Federation of Small Businesses advocates, to slash the unfair and disproportionately large burden of business rates that it bears?

Will you reintroduce the small business loan guarantee scheme so that there is some prospect of achieving the goal of creating 100,000 new businesses that you mentioned?

Will you conduct a root and branch review of the planning procedures, which are a burden and cause delay to many small businesses?

Will you accept that the retail sector, whose opinion is included in "Pathfinders to the Parliament"

"does not relish the idea of a road toll tax imposition that has the net effect of forcing lorries off motorways and onto rural roads and through towns in order to save transport costs"?

Can you name one business organisation that supports your road toll proposals?

**The Convener:** I asked for brief questions,

Fergus.

**Henry McLeish:** I could simply say no, no, no and no. The Federation of Small Businesses submits many ideas to us. We accept some of them—I did so during a constructive meeting with the federation recently—but I cannot respond to Fergus Ewing's suggestions in the way that they have been projected, although the issues are of interest and concern to the federation and all small businesses.

In my initial comments, we talked about new businesses and the business growth fund to support start-ups. We have an amazing range of business activities such as Scottish Enterprise, local enterprise companies and the industry department, all of which are focused on small businesses. Almost all businesses in Scotland employ fewer than 50 workers. It would be a foolish Government that did not devote a considerable amount of time and investment to those businesses.

We take small business seriously. It is a fundamental part of our programme and there will be continuing decisions on the points that Fergus Ewing has raised. We want new businesses to be created and to survive and, as small business has an enormous contribution to make to Scottish society and prosperity, I want to link up closely with that sector.

**The Convener:** I must apologise: I did not realise that Alasdair Morrison was leaving. He has responsibility for tourism, which is the subject that we are going on to discuss. He has left you in the lurch, minister.

**George Lyon:** We are experiencing difficulties in tourism. Last year was particularly bad for the industry, especially in terms of Scottish people using Scotland as a destination. You mentioned, minister, that the spend is up 13 per cent on 1998 and the level of overseas visitors is the same as it was in 1998. Although that year was also a bad year, your figures indicate an improvement in the situation.

What are the figures on Scottish people using Scotland as a holiday destination?

As part of the consultation process, you are examining the funding mechanisms for the Scottish Tourist Board. Does your department yet have a view on whether funding should still be routed through local councils?

Will the relationship between the Scottish Tourist Board and the British Tourist Authority be examined in terms of Scotland's promotion overseas? Does that promotion concentrate enough on Scotland, given that its work is done under a British flag?

**Henry McLeish:** We will try to get the first set of

figures for you, but I will deal with the other questions first. Yes, a consultation is under way and we want to examine the funding mechanism. The biggest criticism that I hear from the area tourist boards is about the machinery for funding them. Some funding is delivered through local authorities. Some ATBs are happy with that, because their local authorities give them more than we do in direct funding. The main concern arises when local authorities do not provide the support that the ATBs expect. As part of the consultation, I have asked for evidence to show that, if the funding arrangements are changed, that would be an improvement and performance would be better.

Linked to that is the crucial matter of long-term planning, which, I know from representations, the Convention of Scottish Local Authorities is considering. It understands that organisations that want to do a decent job of work—such as the ATBs—need some certainty. They do not know from year to year what their funding will be. That is bad enough, but no medium-term planning can be done either, because the funding might change. I have a great deal of sympathy with that position, and I would like to say publicly that I want ATBs to be able to operate on at least a three-year cycle. That is the case for comprehensive spending review funding for local government. I also, however, want hard evidence that if the system is changed the result will be more convenient and have a better impact on the work that ATBs are doing.

**The Convener:** The CSR funding structure creates a three-year cycle within which that would be possible.

**Henry McLeish:** Yes, that is my point. The context exists and we are trying to extend it to many other areas of government. It is crucial, if we want to make an impact on tourism, that ATBs should be able—perhaps not down to the last penny—to identify their income for the next three years and to plan accordingly.

**The Convener:** That puts a responsibility on the Executive which would be passed on to local authorities.

**Henry McLeish:** I want evidence because of the situation in local authorities. There is a local authority view that I should not make the change that I am suggesting, but I am also conscious that what the ATBs say about medium-term funding and certainty of funding makes sense. That is why I want the consultation to address this issue. I will make a judgment once we have heard those views.

**George Lyon:** I would like to be clear on this. If we are to give ATBs stability and the ability to plan, we are talking about ring-fencing the funding

that comes from the council.

**Henry McLeish:** Excuse me, George. I am just issuing an Executive instruction.

**The Convener:** That is how it is done, is it? *[Laughter.]*

**Henry McLeish:** Usually on bigger pieces of paper. I hope that this matter can be resolved speedily. It has been hanging around for some time and I want to make a commitment to the ATBs. I am more than sympathetic to what they are asking me, but before we move, we must complete the consultation. This issue may be represented in the large number of responses that we have received. If so, we can take it forward. It is one of the key issues that I have identified.

The third question was about the British Tourist Authority. Marketing is crucial, but there are conflicting views. The Forum of Private Business has commented that it wants less spent on attracting overseas business and more on attracting UK visitors to Scotland. Part of the consultation asks what the marketing strategy is, how effective it is, and whether there are ways in which we can make positive changes to attract more international customers.

We already attract visitors from America, France, Germany, Belgium and Japan. We focus our worldwide marketing on countries that deliver tourists to Scotland. One of the discussion points is whether we go wider than that, or whether we maximise on those areas. I want views on that. I have no closed views on whether enough is being done vis-à-vis the British Tourist Authority, or on whether we need to complement what is being done.

**George Lyon:** I was really asking about the process of delivering the strategy rather than the strategy itself. That takes us back to the link between the Scottish Tourist Board and the BTA.

**Henry McLeish:** We are consulting so that we can revise the strategy. We work in the context of the BTA, but I will have aspirations for Scotland. If there is consensus that we need to influence the BTA, that is what we will do. If the consensus is that we need to do more in Scotland vis-à-vis the outlets that we have, we will do that. The point is that I want evidence at this stage. Many of the arguments about marketing, skills and funding have been based on substantial anecdotal evidence, but I want hard evidence. I have an open mind.

**Fergus Ewing:** Minister, I believe that hard evidence in relation to the tourism review was submitted to you yesterday by the Highlands of Scotland Tourist Board—or HOST—which is one of the area tourist boards. Part of its submission is that there has been a substantial reduction in the

number of visitors to the Highlands and Islands, which in its view has been caused by three things: the high value of the pound; Britain's value added tax rate, which is the second highest in Europe; and the fact that Scotland and the UK has the highest level of fuel duty in the European Union.

The representations were not made by the SNP but by HOST, and they were endorsed by that organisation's Argyll counterpart in a letter to *The Scotsman* today. What is the minister's personal view on that? What representations will he make to Gordon Brown about the grievous damage those taxes do to Scotland's economy?

I also have two easier questions. Will Mr McLeish review the decision not to have a minister for tourism? That would not be expensive to implement and it would be welcomed with open arms as evidence of the seriousness with which the Executive takes tourism in Scotland. The Scottish Affairs Select Committee expressed disappointment that there is no minister solely responsible for tourism.

There is also concern that the Scottish Tourist Board might conduct the review. Many people to whom I have spoken have various criticisms of the board in regard to what it does and its organisation. Can the minister allay those concerns by telling the committee that the STB will be in the same position as HOST, for example, and that it will make a submission to the review rather than conduct it? I would expect that review to contain many criticisms from others in the industry of the Scottish Tourist Board's input.

**Henry McLeish:** I will deal the last point first. The STB is one of the key organisations in tourism and it will have an important role to play in strategy development. The responses to consultation are coming in; I can reveal that we have had more than 300 responses. That is more than we had expected in a short time. We want to work out the strategy and partnership. If the committee wants that spirit of partnership, it should not suggest that the Government devise a strategy without speaking to the STB, to the area tourist boards, or to the tourism forum. We will proceed in partnership and I am immensely encouraged by the response we have had, and by the emerging consensus on that issue.

**The Convener:** I would like you to pause just there, minister. In its informal deliberations last week, the committee felt—as had we all individually through our constituency work—that it would be valuable to extend the period of consultation because of the summer holiday period and the fact that it is so busy for many in the tourism sector. I have written to you about that recently. Do you have anything to say to the committee about a possible extension to the time scale?

**Henry McLeish:** In the spirit of partnership, that would be a good idea. We are delighted with the profile that has been given to tourism. It should have happened years ago, but it did not. The response we have had in four weeks has been overwhelming—more than 300 representations. Alasdair Morrison is still meeting people throughout Scotland and the STB is still holding focus group meetings to examine some of its work. We want to give maximum opportunity. I do not want any one to go away from this exercise thinking that they had not been given a chance. I would therefore like to suggest to you, convener, in response to your letter, that we extend the consultation period to the end of September.

**The Convener:** That will be appreciated.

12:15

**Henry McLeish:** That will provide eight weeks for responses. We know that other submissions are coming in, so my advice to the country, in response to your letter, is that we want to hear from everyone; please keep the submissions coming in.

**The Convener:** The minister will now address some of the other points that have been raised

**Henry McLeish:** Fergus Ewing suggested that there should be a minister for tourism. When I speak to organisations, they are delighted that tourism is, for the first time, a mainstream economic issue in Scotland—unlike in Westminster, where it is part of the Department of Culture, Media and Sport. Tourism is a £2.5 billion industry, Fergus, and it is at the heart of what we are doing. It employs 200,000 people and it has a big future as one of the biggest and fastest-growing industries worldwide.

Although Alasdair has taken the lead role, I do not want tourism to be separate. As good links exist between higher and further education, which is crucial for skills and industry generally—the enterprise brief and the Scottish Enterprise brief—tourism is at the heart of this ministry's agenda. Whether in marketing, skills development or extending tourism to rural areas, there is huge potential. To those who think that having a minister for tourism would help, I say that it would do the opposite. Work is being done, this committee will also be heavily involved in tourism and I think that that will bring success to the tourism industry.

Fergus Ewing mentioned VAT on fuel. I am sure that the submissions we will receive will raise that issue. I have not seen the submission that Fergus Ewing talked about. That will be part of the consultation and we await with interest what people will say on those important subjects.

**The Convener:** Does the minister recognise that high fuel prices may affect people's decisions about whether to come to Scotland on holiday?

**Henry McLeish:** The first part of my submission showed that spending was up for the first part of this year—George Lyon said the we were comparing it with a poor year—but we must examine the figures and the submissions. When I go to the Highlands and Islands, the Borders, Ayrshire and Dumfries and Galloway, these issues are raised with me, but other concerns—about marketing and skills—have been expressed. We have to consider the whole issue. My main focus is to trade on our strengths. I have no doubt that tourism in Scotland could be doing better; it is our task to work together to ensure that that it does.

**Miss Goldie:** I thank the minister for extending the period for submission of responses. At the meeting with the Glasgow chamber of commerce on Friday, great concern was expressed about the brevity of the time period. Will the minister ensure that prominence is given to the decision to extend the period—I am certain that there are bodies that have much to say and may feel that they have been debarred from making a submission?

**Henry McLeish:** I hope that the decision to extend will become known through this committee's deliberations today, but we will make it more formally known that we want the maximum response. That is why we are extending the time period, in response to the letter from the convener.

**The Convener:** Members of the media are present, and I am sure they will have been able to follow your remarks.

**Ms MacDonald:** I know that the minister does not want to say anything about Edinburgh. If—as I suspect—he does not have a response from business on the tourism strategy and the development of e-commerce, could he drum up a bit of research and get somebody on to that now? That could be evaluated as part of how we approach tourism and shopping because, for the cities, that is a huge element of tourism.

**Henry McLeish:** I acknowledge the importance of that issue. It is important to say that Edinburgh is one of our greatest attractions. It is a vibrant, expanding city that is in the forefront of many areas and it is a significant tourist attraction.

I take the point about e-commerce and will give Margo MacDonald further information. It is not for me to sit in the centre of this committee and make judgments about what is happening in Edinburgh. We want to encourage people to take on board the issues that Margo MacDonald has raised and I give her a categorical assurance that that will be done.

**Ms MacDonald:** It is a strategy.

**The Convener:** I will now open up the discussion to general questions as I think we have exhausted members' points on tourism.

**Allan Wilson:** Given the minister's recent tour of Scotland, he will recall his meeting at Prestwick. We commend to the minister—as was commended to us—the British Aerospace-Prestwick airport regeneration model. It could perhaps be considered as a basis for more widespread regeneration in areas where a rapid response is necessary. Will the minister give us his view on that prospective model?

**Henry McLeish:** I acknowledge the model and think that it has been successful. The key point to stress is that virtually every company, every issue and every area has a different set of circumstances that require a different response. That is why I am keen to ensure that we are doing our very best through dialogue and partnership, the manufacturing strategy, the review of rapid response and the new labour market unit.

The British Aerospace project shows that there have been successes. We want to build on them. I always feel that, as a minister, it is easy to be content with what is happening, but the key thing for an aspirational Scotland is that ministers should not be content. They should always be looking for ways to improve what they are doing and to help jobs and companies.

**George Lyon:** In his briefing note, the minister states that the Scottish renewables obligation is to bring forward 150 megawatts more of renewables. I take it that that is the allocation for the next 10 years as is currently being decided within the UK. I have had a lot of lobbying from some of the renewable energy groups that that figure is much too low. They believe that we should fight for a much higher level to allow development of wind and wave energy during the next 10 years. Is the minister satisfied that he is fighting for the right level?

Wave energy is in its infancy. A new wave energy machine is about to be constructed on Islay and it is due to come on stream in the next couple of months. Are we as Scotland plc and ministers as the Scottish Executive, doing enough to encourage that technology? There is a feeling in the renewables sector that we missed the boat on wind technology

**Ms MacDonald:** Not us.

**George Lyon:** Maybe not in this committee.

There is a tremendous opportunity to develop this type of technology. That would bring benefits not only in terms of the technology, but in the types of manufacturing jobs that might be created.

**Henry McLeish:** The Executive takes renewable energy seriously and I am keen to

develop a fairly strong working partnership with Sarah Boyack to deal with the environmental aspects. I am not sure whether the targets will ever be right; I know that there is much concern about whether they are at the right level. All I would say to George Lyon on that point is that we are always available for discussion. This is an important issue for the UK Government in terms of reserved responsibilities. We want to encourage the various moves George suggested, so the contact exists.

This is a big, detailed debate, but we take both the industry and environmental sustainability seriously, especially as we approach the end of the century. We need a much wider debate in Scotland; at present, it is peculiar to a small number of people and organisations. I see the Executive's role as extending that debate, which will give us a more popularised version of renewables issues and make it easier for the Executive to have the kind of debate that it wants.

**The Convener:** Thank you, Mr McLeish. We have managed to get through this discussion with only a brief mention of tuition fees, which has been referred by the Parliament to the committee of inquiry. How will that issue be handled? When the report of the committee of inquiry is brought back, will it be brought first to the Executive or directly to the Parliament? Once the report has been discussed by the Executive, will its conclusions be binding on all its members?

**Henry McLeish:** With the greatest courtesy, convener, both questions are slightly hypothetical in the present context. I expect that, on its conclusion, the report will be delivered to the Executive. The question of Cabinet responsibilities and decisions was covered in the press recently. Those apply, but the most important thing at the moment is to ensure that the whole of Scotland responds to the consultation process and moves away from the issue as a strictly political one to one that is fundamental to the future of higher and further education in Scotland.

The debate is not only about tuition fees but will tackle some of the issues that the Liberal Democrats and the Conservatives raised about hardship and maintenance grants. For the first time, the debate will go beyond the aspiration of the Robbins committee in the 1960s and will make Scotland the context within which we can build on the mere 8 per cent of people from social classes 4 and 5 who are entering higher and further education.

If we have an aspiration about widening access, it is to ensure that more young people from social classes 3, 4 and 5 participate in higher and further education. My main aim is to ensure that the inquiry is built on solid foundations, and while no detailed arrangements have been made about its

arrival, debate and discussion, that will be considered over the coming period.

**The Convener:** Mr McLeish, you raised the issue of the quality of graduates; awareness among potential inward investors about the quality of the graduate population in Scotland was an issue that came out of our discussions with various organisations last week. I know that you are embarking on further trips to promote the Scottish graduate population overseas. What is your impression of that awareness among the overseas companies that you talk to? What can be done to improve that perception?

**Henry McLeish:** The fact that we now have a record number of graduates—more than 52,000—and that graduate unemployment is now the lowest it has been for some time, means that there is a favourable view of the quality of Scottish education per se, of higher and further education, and a similar view about skills. As an ambassador—along with each of you—I am keen to make the best of that, as it is fundamentally linked to the knowledge economy issue. In future, people will be able to get finance anywhere in the world, and labour costs that will be much cheaper than ours, but what they will not find is the educational quality on which Scotland should build its future. Companies we meet who are investing here have a very positive image. I hope to convey that message to anyone with whom I speak.

I complete my day out by giving George Lyon some provisional figures for tourism for the first four months in Scotland. Visits are the same as 1998, overnight stays are 20 per cent up on last year and spend is 30 per cent up on last year. That is the encouraging note on which to end my contribution.

12:30

**The Convener:** I thank the minister and his colleagues for coming to the committee this morning and covering a broad range of subjects. This committee has a broad remit and we mirror the remit that is covered by ministers. We look forward to engaging in dialogue with Mr McLeish's department on a range of issues. In two weeks' time, the members of this committee will formalise priorities for our work programme. I am sure that the comments that were made today by the minister and his colleagues will help us to do that.

The committee thanks Mr McLeish, Mr Stephen and Mr Morrison for attending the committee.

**Henry McLeish:** Thank you for that courtesy. I look forward to working closely with the committee.

**The Convener:** Thank you. As it is 12.30, I close the meeting.

*Meeting closed at 12:30.*





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