

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 27 October 1999
(Morning)

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE

6th 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)

WITNESSES:

Mr David Greaves (Institution of Economic Development)

Ms Jean Hamilton (Institution of Economic Development)

Ms Jenny Kellie (Chief Executive, Scottish Council of National Training Organisations)

Mr Robin Miller (Chief Executive, Business Enterprise Scotland)

Ms Agnes Samuel (Chief Executive, Glasgow Opportunities)

Mr Gordon Smith (Chairman, Business Enterprise Scotland)

COMMITTEE CLERK:

Simon Watkins

SENIOR ASSISTANT CLERK:

David McLaren

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 27 October 1999

(Morning)

[THE CONVENER *opened the meeting at 10:00*]

The Convener (Mr John Swinney): Good morning. I convene this, the sixth meeting of the Enterprise and Lifelong Learning Committee. We have a full agenda and I do not expect us to be finished before 1 o'clock. However, we will try to make as much progress as possible, especially on the latter items on the agenda, which I hope that we can deal with quite quickly.

Local Economic Development

The Convener: We will hear from three sets of witnesses this morning in connection with our local economic development inquiry.

Before we do so, I will say a few words about the approach that I intend to take during this meeting and future meetings. We are conducting an inquiry on a remit that has been agreed by the committee. In previous discussions, I have been fairly relaxed about the order and the competence of contributions. However, from this morning onwards, I intend to keep us firmly to the point of the inquiry. If I think that questions are roaming outside the scope of the inquiry, I will stop them being asked and answered. I do not say that to be unhelpful, but I recognise that the inquiry is wide-ranging and that, in some of our meetings, we could quite easily spend a lot of time on issues which, although they are important, do not relate to our inquiry.

I encourage members to ask short questions. As we go into some of the more detailed areas of the inquiry, we will have the opportunity to establish a sequence of questioning for individual witnesses, to ensure that we get to the nub of the argument. I want to give individual members the opportunity to pursue a number of steps in a line of questioning, to ensure that we make progress.

Mr Nick Johnston (Mid Scotland and Fife) (Con): If you feel that a question is not relevant to the inquiry, will it, and your response, be recorded?

The Convener: The *Official Report* is a substantially verbatim record of the whole proceedings, so it will be recorded if I rule something out of order. Official reporters will be in attendance throughout the meeting.

The clerks have provided us with a paper on today's witnesses from Business Enterprise Scotland, the Scottish Council of National Training Organisations and the Institution of Economic Development Scotland. The clerks have suggested some lines of questioning. Are there any particular lines of questioning that members would like to highlight now, so that I know of any particular areas of interest that they may have and so that I can ensure that they have adequate time to pursue their questions?

Mr David Davidson (North-East Scotland) (Con): I am interested in two areas, which might be the same for other members. The first is competition between different deliverers, as referred to at the third bullet point on the first page of the paper. The second, which comes under the heading at the first bullet point,

"confirmation of their sources of funding,"

is ownership and the involvement of local authorities.

The Convener: You want to concentrate on Business Enterprise Scotland. What do other members of the committee wish to do?

Marilyn Livingstone (Kirkcaldy) (Lab): I would like to ask SCOTO about the Scottish credit accumulation and transfer scheme and about what progress is being made in linking into the national qualifications framework.

The Convener: Before Margo speaks, I should say that she is having some vocal difficulties today.

Ms Margo MacDonald (Lothians) (SNP): If I can, I will ask in my husky and attractive tones—*[Laughter.]* I do not want the convener to laugh at me.

The Convener: I am not going to—I am deadly serious now.

Ms MacDonald: I hope that we are not on the record yet.

I am interested to hear why the submission from Ms Kellie contains caveats about the university for industry.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): Does SCOTO consider that the audit systems that have been imposed by local enterprise companies are appropriate, or should the review simplify them?

Mr Johnston: My questions are about the policy recommendations of the convener of the Institution of Economic Development.

George Lyon (Argyll and Bute) (LD): I would like to pursue questioning along the same lines as Nick Johnston.

The Convener: The submission from the IED is lively.

Miss Annabel Goldie (West of Scotland) (Con): I would like to ask one or two general questions of each witness. May I signal to you when I wish to ask one?

The Convener: Yes. I am just trying to get a balanced view of the directions from which members wish to approach the discussion.

Allan Wilson (Cunninghame North) (Lab): I would like to ask about issues on which you and I have been trying to elicit answers, such as performance measurement, the setting of targets and—as has been mentioned previously—duplication of service providers.

The Convener: That is fine. Members should indicate to me when they wish to speak. Those in attendance should switch off all mobile phones, and pagers should be switched to vibrate.

I welcome the witnesses—from what seems like an inordinate distance away from your end of the table—to this meeting of the Enterprise and Lifelong Learning Committee. The witnesses are Mr Robin Miller, Mr Gordon Smith and Ms Agnes Samuel from Business Enterprise Scotland. As you are aware, the committee is conducting an inquiry into the delivery of vocational education and business support services in Scotland. We are looking in particular at the effectiveness of those services and of the delivery mechanisms.

We are grateful to you for your written submission. Mr Smith will introduce his team and make the opening remarks.

Mr Gordon Smith (Chairman, Business Enterprise Scotland): I thank the committee for inviting us. I introduce Mr Robin Miller, who is chief executive of Business Enterprise Scotland. BES is the umbrella body of the enterprise trusts in Scotland. Ms Agnes Samuel is chief executive of Glasgow Opportunities and also runs an enterprise trust. I will be looking to my colleagues to provide additional information to the committee as we go on.

The Convener: Thank you. Please make your comments to the committee, then I will open up the debate.

Mr Smith: I would like to give the committee one or two pieces of information about the trust network. I will briefly put forward some ideas on how things might be done better and then I will take questions.

As we said in our notes, the trust movement delivers more than 3,000 start-ups a year in Scotland in the geographical areas that we cover. We are also involved in after-care; through that we are involved with another 9,000 organisations in

Scotland.

I am pleased to say that the survival rate from start-up to the two-year period ranges from just under 80 per cent to 85 per cent throughout the trust network. We do not focus on the start-up alone; we try to encourage on-going success through the difficult early years. Twenty-six trusts are members of Business Enterprise Scotland. They range from business-led trusts to trusts that are an amalgamation of business-led trusts and chambers. There are also two trusts which are entirely council operated.

It is interesting to note that, from the business side, we attract an additional £1.25 million, in funding and in kind, on top of the £8 million that is contracted towards us. Quite a bit of private sector cash and in-kind funding comes through our organisation.

All our trust boards have council members represented on them and a number of them have representatives from local enterprise companies. At board meetings, those people have access to the plans and finances for each trust and can comment on what is happening. The trusts have 200 full-time-equivalent business advisers working with organisations. More than 150 of them are either professionally qualified or are graduates. All the trusts are involved in Investors in People and have either achieved that status or are working towards it.

We work in partnership with other organisations. We do not see ourselves as being able to deliver successfully in isolation. Business Enterprise Scotland works closely with the Scottish Executive. Over the past 12 to 15 months, we have had excellent support and have worked well with Ian Howie and his team from the Scottish Executive. We have also worked closely with Alan Sim and his team, to ensure that we can continue to look for ways of improving our practices and delivering a better system.

At trust level, we work closely with local authorities to agree the areas of priority. The LECs are also significantly involved in those discussions, so there are two levels of interlock. We have been chosen by the Prince's Scottish Youth Business Trust as its preferred deliverer in Scotland and we operate nine of its agencies through the trust network.

It is important to share across the network. Until BES was formed, the trusts were operating individually and they felt that that was not the best way to achieve synergy or to extend the range of capability or the reach that they could deliver. That is why BES was put in place.

We forge links between trusts in a number of ways. For example, Agnes Samuel spends time going from Glasgow to Wigtownshire and taking

experiences from that environment to other areas. That happens elsewhere, too. For example, our trust in Edinburgh is working with the LEC in the Borders. Robin Miller and I have just come back from Nairn, where we formed the conclusion that the Midlothian trust can add value to that environment. We are examining how we can take best practice, good ideas and cost-saving ideas to different parts of the network.

I think that it would be helpful if Agnes were to go through three or four of the things that are common to the way in which we deliver our services across the movement. That should give members a flavour of the work that we do.

Ms Agnes Samuel (Chief Executive, Glasgow Opportunities): Glasgow Opportunities was involved in two projects from the beginning. One is LINC Scotland, the local investment networking company for Scotland. It ran a groundbreaking scheme to introduce business angels to small businesses that needed venture capital in a gap in which the venture capital companies and 3i were not interested because it cost them too much to deal with such businesses. Originally, that was funded by private sector cash. A secondee ran it in Glasgow for three years before the national network took it on and now all the local enterprise companies, apart from the one in Fife, are members of the project and it is meeting with tremendous success. It is a leading European project.

The second project was innovations counselling, which was funded initially by BP in Dundee and Glasgow and is supposed to deal with inventors who have good ideas and spend a lot of money on patents, but who do not know where to go from there. The Scottish Executive took over responsibility for the scheme, which now covers the whole of Scotland, including the Highlands and Islands Enterprise area.

As a result of the business birth rate strategy, the trusts got together to research barriers to growth in the network for female-run businesses. The research has contributed to Scottish Enterprise's female enterprise strategy and to the forthcoming women's charter.

10:15

Mr Smith: I would like to talk about things that we think could be done better.

We found it helpful when the objective for 10,000 start-ups was set, because it gave us a goal. It made us understand that things had to be done better. It does not matter whether the figure of 10,000 is right or wrong; it is important to have a goal. We concluded that we would like to enlarge the trust network from 3,000 start-ups to 5,500 in the next three years while improving quality and

ensuring that the start-ups are durable. We do not want to achieve that number but have a higher failure rate.

We came across a number of inhibitors. It is difficult to plan a business with a one-year horizon. No one knows whether the business will be around after the next year, which is clearly an inhibitor to investment. The network needs to make better use of investment so that better productivity can be created not only in the back office, but in the front office, where there should be more business advisers.

Volumes are allocated to us. The board of the trust in Edinburgh, which I am on, is usually told to support 400 start-ups and is not asked to find ways to support 410 or told that 350 is a failure. That means that trusts tend to contract on the basis of the volume that is passed down to them. That does not enable the trusts to create a vision or to work with other organisations to find ways to do things better.

There are no end-to-end processes. That is most disturbing. A vision must be created and partners must agree on what is to be achieved, but there is also the question of how those things are to be delivered. The delivery, end to end, is not joined up. I will give an example of that. An event for people who are interested in starting up businesses was held in the Glasgow area. It was well publicised in the media and well attended. I asked the trusts how many leads they got from that event, which cost a lot of money, and the highest number was 17. That number will be wrong, but we are talking about orders of magnitude.

By the time that organisations or individuals enter the process of starting up a business, it is typically a four-to-one gearing. If we want to arrive at 10,000 start-ups, we need something that delivers 40,000. We might improve the gearing of four to one slightly, but we will not take it to three to one. Those organisations need to be customer focused; we need to get them into the system, tell them about best practice, give them the best on-going advice, and help them. We need a better end-to-end process.

I would now like to cover how we see that working. We are already working towards good value, I hope, with Ian Howie, Alan Sim and their teams. That helps us understand the strategies of Scottish Enterprise and the influence of the Scottish Executive, so that we can take that into our network and ensure that we can work with the right skills and focus.

At that level, we also work closely with executive management in the banks—I will come back to that. To plan for three years at the delivery level, a common brand is required. The business shops

should be better integrated. I mentioned common processes: we need to replicate best practice.

We are doing a three-year plan; resources will need to be moved from the back office to the front office. Too much is replicated among the trusts, often not for productivity-related reasons but for specific reasons connected with local authorities. We need to examine how we might do that.

More business advisers will be needed if we are to achieve 10,000 start-ups.

I mentioned alliances: alliances with the banks are crucial to success. The banks own funding. We are already getting success in some trusts, and we are getting higher volume and better quality input from the banks than from elsewhere. That means that the trust can work with the customer to give the customer what they want and help their relationship with the bank, to get better funding. We want to know how we will have an agreement on direction, and how we will have delivery. Alliances with banks are the sort of alliances with which the network needs to work.

We have been working with Scottish Enterprise. The trust movement has many good businessmen on the boards of local enterprise companies throughout Scotland. We believe that, in addition to the follow-on mentoring that we can do, we can get another hundred mentors out of those businessmen, to spend time—part of their time—with companies. We cannot do that without a joined-up process. We need the trusts. We will operate mentoring nationally, as we need to, because the person might be in the wrong geographical location. Delivery will be assisted through the trusts, and we will then take it further.

The Convener: Thank you for that introduction, Gordon, which is much appreciated.

I want to open up the questioning. In the area that I represent, in Tayside, there are no enterprise trusts: all the services are delivered through the local enterprise company network. Do you have any evidence of how the enterprise trust movement adds value? Other areas of Scotland have enterprise trusts; is there any differential pattern of performance of which you are aware in terms of business start-up, business support and the after-care support that is available, whether enterprise trusts are in the loop or not?

Mr Smith: I cannot comment on Tayside specifically. I have not been there and I do not know the organisations.

When we started, 20 of the trusts were members and the others were not. Another seven have come on board to join us. They have done so because we can bring best practice. They want to share. The contracts for delivery are not common between the trusts and the LECs—that is illogical.

We have been working on how to get consistency: council trusts, non-council trusts and others which were not members have come on board. By doing the type of work that Agnes Samuel is doing, we can go to areas and bring things to them that make a difference. They feel that they can deliver better quality and provide more programmes. We just do not touch Tayside.

The Convener: How do you at the centre share best practice with the enterprise trusts?

Mr Smith: In two ways. We have regular meetings with the chief executives of the trusts, at which trusts share information. Also, we take people from trust to trust to share their experience and knowledge and to help people implement programmes. For example, Agnes Samuel went to Wigtownshire and Graham Cunningham went to the Borders.

We are considering common processes and technology across the trusts to manage an end-to-end process, which we do not have. Trusts want to be under this bigger umbrella, so that they can get value to the customer.

Unfortunately, I cannot operate in Fife or Tayside.

Mr Robin Miller (Chief Executive, Business Enterprise Scotland): On the subject of adding value, we also run from the centre a series of training events that are focused primarily on enhancing the technical skills of business advisers rather than chief executives.

In addition to spreading best practice, we focus on the leadership qualities of the chief executives. The trusts are all small organisations and the quality of leadership is fundamental. We are trying to raise skills levels through training.

The Convener: On average, what proportion of enterprise staff is at the coalface?

Ms Samuel: We have a very small number of administrative staff. It is only in the past 10 years that we have taken on an accountant. Most of our effort has been at the coalface—probably about 80 per cent of our staff work there.

Mr Davidson: I will ask a few questions to elicit a bit more information.

You have talked at length about national standards, which you aim to lift, and co-operation among the various trusts. How are you funded and led? Some local authority trusts are almost wholly owned by local authorities and are almost perceived as council departments. An element of competition is also creeping in—universities and so on are going for the same contracts that you go for. How can you get over the funding hurdle? What do you think about the commonality of purpose arising from the ownership of trusts?

Mr Smith: Competition has been healthy for us, so I welcome it. We experience it in business and I am very comfortable with it. We have no God-given right to be doing what we are doing; we have to prove that we are viable and that we deliver a high-quality service.

Representatives of council trusts come to all our meetings. There is no antagonism across the network and there is no difficulty in our people sharing with councils. We work closely with councils in all the trusts and need a relationship with them. We are not uncomfortable about whether trusts are business led, if that is the right thing—it was the right thing when I was a member of the Edinburgh trust.

We should have whatever gives the customer the best service, but we should then bring commonality of purpose and the highest capability to those channels. That is why working with people on their skill set and their focus is important. I am comfortable with different flavours of background.

Mr Davidson: And the funding for the future?

Mr Smith: Private sector funding is important to us—partly in cash, partly in kind. I would hate that to disappear as we need it to deliver the best service.

In terms of the funding that comes down to us through Scottish Enterprise and then the local enterprise companies, if we had a contract, we would have more confidence to plan ahead and to invest better. To achieve 10,000 start-ups, we will need more funding, but we will need to tell Scottish Enterprise why.

The back office is not big, but we need to be able to share out funding. We need to be able to move money around to be able to do what we do. We need to improve on our side, but we will also need additional funding in some areas.

I want an alliance with the banks because they have taken a lot of managers who used to work with small businesses out of their industry. As a result, the banks cannot deliver the service that they used to, which is to the detriment of companies that want to start up or that are at risk. Businessmen from the trusts are called into banks around the country to mentor small companies. We want to have access to the banks' funds, but we also want to tap into their systems on the internet and elsewhere, to help us to invest better in the business. That will be better for the banks, because they will get a better customer set as the companies' plans will be better.

There are different ways of pulling things together. We are getting good funding from the banks not only across the board, but for specific projects that the banks then want to roll out across

the network.

10:30

The Convener: I want to push you on the issue of competition. One aspect that we hear a lot about is the need for services to be tailored to individual clients, which is an admirable objective. On the other hand, we hear that people are confused about the number of places that there are to get services. The balance must lie somewhere in the middle. Where are we on that? You said that competition was an advantage, but I am concerned that there is too much toe-treading in the marketplace.

Mr Smith: Competition really wakened us up, which is why it was important. The trusts had been in business for more than 20 years and had not changed. Their targets were handed out and nothing moved forward. One or two organisations delivering a different product came into the market, and that gave the whole system a shock. It was a positive thing; the fear was helpful. It acted as a catalyst for change across the trusts. I genuinely believe that we can bring real added value. I am not uncomfortable with bidding against other parties, because I believe that the added value that we build into the process is strong.

Mr Davidson: I want to remain on the issue of funding. An annualised system of contracts comes down from the LECs, and until that changes, you cannot get a three-year contract. What will you do for funding in-between? If you are dependent on annual contracts, where will the resources come from to roll out the programme that you were talking about?

Mr Smith: That is a difficulty. Our trusts could close down each April. That is the reality. If we could have confidence for a three-year period that we would be allowed to stay in business, providing that, each year, we delivered against targets, we would be a lot happier. Then we could invest in the business.

On the question of whether we need more money, the answer is that more money will need to be invested if we want to achieve 10,000 start-ups. I cannot put a sum on that yet. There are top-down plans, but we are building a bottom-up plan. That will come in at the end of the year, and we will tell Scottish Enterprise how much it will cost.

Miss Goldie: Mr Smith, forgive me if I am being a bit dense. I see that there are 27 membership trusts. I believe that the total for Scotland is 40 or 41.

Mr Smith: No, I do not think so.

Miss Goldie: How many enterprise trusts are there in Scotland? I am not clear about what the membership list means in terms of coverage for

Scotland. Is it a good geographic spread or is it patchy? What is your effectiveness if there is a significant number of other bodies doing what you do that are not under your umbrella? Why are they not under your umbrella?

Mr Smith: Can I confer with someone on this?

Ms Samuel: There used to be a larger number of enterprise trusts, but they have declined in number. Quite frankly, some of them were not very good. Some of the LECs have contracted in different ways. What we have now is 27 quality members of a network. There are other organisations. Glasgow is complicated, because there are local development companies that are largely local authority and urban aid funded. They do not have a simple business development remit. They are also involved in social inclusion and employment issues in very specific black spots in the city. Does that help to clarify your question?

Miss Goldie: What does that mean, Mr Smith, in terms of what you have? Is that a good spread?

Mr Smith: No, I think that we could do better. We must extend the reach. As Agnes was saying, there are 28 trusts, 27 of which are members. One has chosen not to be a member. We do not have coverage in Fife, in Tayside, and in some areas down in the Borders. Over the last 12 to 15 months we have been improving on our product and on its consistent delivery so that we can replicate that in other areas. We have been trying to build something that can be taken out of one geographical area into others. That is what we are trying to do. There is only one trust in the Highlands area and it operates through the LECs. The question is how we use our processes to help that trust to deliver more through the organisations that are there. We do not have national coverage, but we can extend what we do have.

Miss Goldie: That is helpful. Thank you very much.

The Convener: Needless to say, almost everyone now wants to ask a question. We must speed up a bit.

Allan Wilson: You say that you have an effective network in place, high client satisfaction ratings and quality in business measured by independent surveys. Who conducts such a survey, to whom do they report, and what is the relationship of the surveyors with the centre and the individual trusts? You also mentioned monitoring to eradicate bad and encourage good practice. How does that work in practice? If you discover that an enterprise trust is failing, how would you go about resolving that?

Mr Miller: The survey on service quality was done by a firm of consultants engaged by Business Enterprise Scotland. We particularly

asked them to survey the quality of business advice throughout the enterprise trusts. A numerate, sophisticated methodology was used that provided a benchmark of the performance of the various trusts. Does that answer that question?

Allan Wilson: Apart from who the surveyors were. So it was carried out by the centre and conducted on all the trusts?

Mr Miller: It was carried out by a firm of consultants that we engaged to do the work on our behalf. We had to approach the LECs in each trust area to get the necessary funding. It was not only the enterprise trusts that participated. If a LEC area signed up, then all the delivery organisations in that area were surveyed and a slightly broader benchmarking was involved.

The Convener: Margo, is your question in the same area? Margo has a voice problem.

Ms MacDonald: Elaine Murray and I noticed that the Scottish Council of National Training Organisations' publication of June 1998 says that there are 41 enterprise trusts. Has there been a dramatic contraction in the intervening period, or is that figure just a mistake?

Mr Smith: In 1998 there was a change in the delivery mechanism in Fife and three trusts were contracted.

Ms MacDonald: Was that after the survey?

Mr Miller: At its maximum, our survey involved about 28 organisations across the LEC areas. There is an enterprise trust in Campbeltown that is not a member of this organisation and with which we have had very little contact. I do not think that it is very active. I regard our natural marketplace as being in the Scotland Enterprise LEC areas. I reckon that there are 28 natural members of BES, of whom 26 have joined. We also have one local authority member, which makes a total of 27 members.

Ms Samuel: It might be helpful if I explained that enterprise trust status is a legal status, which is accorded by the department for industry on a particular basis. I believe that the department has tidied up its lists of enterprise trusts, because some organisations were not properly part of the network but had been called enterprise trusts in the past.

The Convener: That is very helpful.

George Lyon: I would like to return to the question of why you exist. What is your function, and why you do not sit naturally as an in-house unit within the local enterprise network? Why have you been separated out? Obviously, that involves extra costs: paying for boards, chairmen, back offices and so on. Why was that structure

adopted? Do you believe that it delivers better performance, because it enables you to be more focused? Does that influence how much private funding you can access?

The Convener: I would like to add something. Does this have anything to do with the head count in Scottish Enterprise?

Mr Smith: No.

The Convener: I did not want to paraphrase the question. I am sorry if I stole your thunder, George.

Ms Samuel: There is a historical reason for our being separate. We predate Scottish Enterprise, as we were set up as part of a movement in the early 1980s to engage the private sector in local economic development, which brought together the Scottish Development Agency and private sector companies. Many of the big multinationals, for instance, were involved. Our major function was to give free, confidential and impartial advice to businesses, because we are not-for-profit organisations, and to help create jobs and bring increased economic benefits to our areas. That is how we originated.

George Lyon: I am not sure whether that answers my question. You have told us where you come from, but I wanted you to justify your existence.

Mr Smith: Our boards, whose members invest much of their spare time in this work, can draw on a great deal of business experience. Our members are part of and understand the local community. That adds considerable value to what we do in terms of mentoring, assisting relationships with banks and so on. We tend to find, especially outwith urban areas, that local businessmen contribute a great deal through the enterprise trusts. Does that help?

George Lyon: One of the strengths of BES is that it contributes local knowledge.

Mr Smith: Our focus is on starting up and delivering successful businesses, and on helping them to grow during the initial phase. We are very skilled at doing that. The LECs, on the other hand, have a broad remit. We are a delivery channel that is focussed on successful start-ups.

George Lyon: Do you believe that that could not be done in-house?

Mr Smith: I would be surprised if it could.

Ms MacDonald: You said that about 85 per cent of your personnel work at the coalface. Is that correct?

Mr Smith: The figure is about 80 per cent.

Ms MacDonald: How do you measure the

quantity, rather than the quality, of the input? Does it depend on whether job opportunities and business opportunities are created by, perhaps, a big Scottish Enterprise-led investment in an area, or is a consistent number of hours set aside by someone from the local economy who is part of Business Enterprise Scotland?

10:45

Mr Smith: There is no joined-up process that links a Scottish Enterprise event in an area to our capacity to give business advice. We get a contract to deliver a number of start-up organisations. We then look to each trust to deliver the number of referrals that we need. We know how many referrals we can typically handle with the number of business advisers that we have and match that to the contract. If a Scottish Enterprise event inundated us with referrals, we could not cope because we are geared towards the existing target. The joined-up process is important because we would need more business advisers at the coalface to reach 10,000 start-ups, as we do not have the required capacity.

Dr Elaine Murray (Dumfries) (Lab): I confess to being a little confused altogether, and not just about the number of trusts that seem to be in existence, as they seem to be ad hoc—some areas have lots of trusts, while others have very few. You say that you have a role in running business shops and so on, and yet business shops exist in other parts of the country, possibly run by local enterprise companies. The picture is somewhat confusing.

George asked whether the service could be delivered in a different way. Some of these initiatives seem to exist for historical reasons, because people in an authority, or whoever, decided that they wanted to set up an enterprise trust in an area. I do not think that a coherent service is provided throughout Scotland. What model of good practice is followed by those trusts that do not belong to your organisation? Is this not leading towards a somewhat disparate service, where a small or medium enterprise might get pot-luck service, depending upon where it is located, rather than being provided with a consistent level of service?

Mr Smith: I agree with your latter statement. We cannot provide consistency of delivery in areas where we are not involved. We said earlier that an end-to-end delivery process is needed. The business shops need to be more joined up with the delivery channel.

Dr Murray: What is the difference between a business shop in Dumfries and Galloway—in Dumfries, for example—and one of your business shops?

Mr Smith: To be honest, we tend to find that the question is: who runs the business shops? In some areas, LECs have chosen to run them, while, in others, LECs have contracted the enterprise trusts to provide that service. That was a LEC decision. We find that, where the business shop is joined up with the trust, there is more of a joined-up, end-to-end process for the referrals that come through.

Ms MacDonald: Why?

Mr Smith: We do not get as many referrals when the business shops are independent of the enterprise trusts.

George Lyon: Is that because you do not talk to each other or because the process is not joined up well enough?

Mr Smith: There is no joined-up process for referrals that says: "If you come into this office, you will get consistent delivery. Key in and you will be entered into the process and allocated to an enterprise trust. You will develop your business and come out at the end either understanding that you are right not to start up or receiving real help to start up".

I agree that we really need to improve that end-to-end process across the network, by beginning either with the business shops, which give start-up advice, or with organisations such as the banks and taking that through to the end, using the same process and the same technology. People need the best advice. We do not go to areas where we are not involved, but we should be able to take our process and replicate it elsewhere.

It is worth noting that those who have already been through the process and with whom we work well refer 50 per cent of the people who come to us, which is significant. I do not want members to get the impression that there is nothing effective out there. The problem is that the process is not joined up and requires more investment. If you can do that for us, you will have achieved.

Fergus Ewing: We all recognise that we need to create more small businesses and that the 3,000 new starts and 9,000 supports are an extremely valuable contribution. To pursue an earlier line of questioning, I do not understand why you are reluctant to perform your vital role within the auspices of the enterprise network. What is it about the enterprise network that made you say, in response to Mr Lyon, that you felt that you should remain independent?

Mr Smith: Our focus is solely on business start-up, at which we are very successful. I need the LECs to help to form strategy; I do not need the added level of bureaucracy that would result from including me with the LECs. If we could agree a policy with the LECs that we could be one of the

channels to distribute—

Fergus Ewing: But why should your being part of the enterprise network result in more bureaucracy? Surely there should be less bureaucracy and, to use your phrase, less back office expenditure? I presume that means money spent on bureaucracy and processing paperwork rather than money being provided to help small businesses directly. What is it about the LECs that makes you think of them as a bureaucratic monster?

Mr Smith: We believe that efficiencies could be achieved in certain areas within the LECs, by joining up the back offices across the board. If we manage the process end to end, we can get higher productivity. I find that I do not get the focus from the LECs that would help me to improve that service. I cannot tell you what the LECs cost and how they add value and I would be nervous about joining something that I do not understand. That is the reality. I would not be keen to go down that route when we know what we are doing and we know that we are delivering well.

George Lyon: I want to return to the end-to-end process that you said was not there. Where does that failure to put in place the strategic vision of delivering that end-to-end process come from? Does it come from Scottish Enterprise at board level, or is it a result of the individual LECs all taking a different view on how the process should be delivered?

Mr Smith: Let me just start from a slightly different place. If you asked me, "Who owns the 10,000 business start-ups that Gordon Brown has a vision for?", that would be crucial in saying how we are going to deliver it. However, in the past 15 months we have found Scottish Enterprise and the Scottish Executive very productive to work with. I do not know whether that was because you were coming on board.

With Ian Howie and Alan Sim and their teams, we are talking the same language. We are trying to drive commonality, higher volume and better processes through the system. It is difficult for Scottish Enterprise, with the fiefdoms of the LECs, to put that in place. We can work very well and get a vision from the top on how to do things. We can give our ideas as a channel on how we can best deliver against that and how we can improve delivery. I am not sure what the bit in the middle will do to add value to what we are trying to do.

Some value could be gained at the start of each year if we agreed locally, with the local authorities and the LECs, some of the key objectives that they want to achieve in this arena. That need not take a lot of effort or cost. We could then manage the agreed objectives well throughout the system. There is no need for anyone to run big, expensive

fancy events attended by lots of people. We do not have the capacity to handle that, nor does the process bring in those people to us. People would not run their own businesses in that way.

Alan Sim and his team talk to me about their strategies and what they are trying to do with clusters and so on. We can then look at our boards and the skills that are represented on them. For example, we have Martin Ritchie, who is great in the electronics industry and, given that opportunity, anyone trying to start up a small business can punch a bit more weight. Our organisation is a broad church and we want to punch its weight across the network.

The Convener: We have run up against the buffers of time for this part of our meeting. I apologise to the members that I was not able to call and will take account of that later in the session. Gordon, do you have any other comments to conclude your evidence to the committee?

Mr Smith: I hope that the results that we already deliver will give you some confidence in us. We are always trying to improve those results and to find ways to bring more to the coalface. I receive good support from Scottish Enterprise and the Scottish Executive; however, we will achieve a heck of a lot more by joining up the process.

The Convener: Our thanks go to Gordon, Robin and Agnes for their participation today. We are at an early stage in the inquiry and their input is very much appreciated. The committee is mulling over a lot of evidence and will come to its conclusions in due course.

I welcome Jenny Kellie, the chief executive of the Scottish Council of National Training Organisations, who has joined us for this part of the meeting. Frankly, we were spoilt for choice when trying to decide on lines of inquiry. As a result, our inquiry reflects two shared objectives: first, the delivery of economic development and business support services; and, secondly, the difficulties experienced by individuals who try to access the learning environment and what support and direction is available.

After you introduce yourself with a few words about your own position, I will let Marilyn Livingstone open the questioning.

Ms Jenny Kellie (Scottish Council of National Training Organisations): I was assured by Simon Watkins that the committee preferred not to have such things as overheads. Furthermore, I have to apologise. I have a very bad cold and I hope that my voice will not give out.

The Convener: You are one stage better than Margo MacDonald, who is squeaking today after croaking yesterday.

Ms Kellie: I have submitted a paper, which presumably the committee has seen and which I will use to outline the roles of the Scottish Council of National Training Organisations and national training organisations. I will then go through some of the points that are raised in the paper.

SCONTO is the representative body for the national training organisation network in Scotland. NTOs are UK bodies with four-nation responsibilities. SCONTO's remit is to help UK-wide NTOs fulfil their responsibilities in Scotland.

Before the Parliament was inaugurated, the Scottish Office document "Skills for Scotland: A Skills Strategy for a Competitive Scotland" identified NTOs as central to the support of lifelong learning for Scotland's future economic and competitive success.

Although NTOs are called training organisations, the use of the word "training" is slightly unfortunate as they have a much wider remit. The point about training is that people do not train or engage in skills development in isolation; the point is—training for what? Our aim is to further the competitiveness and social inclusion agenda, so the NTOs are strategic bodies with a broad remit.

11:00

There are 71 NTOs, but there are likely to be 75 once the network is set up properly. A lot of them are straight sectoral bodies that have developed from the rump of the old statutory training boards, such as the Construction Industry Training Board. Some, however, are new bodies for sectors that did not exist when the training boards were set up, such as information technology. A small group of NTOs are all-sectoral bodies—as we call them—because they have responsibility for administration or employment, which cut across every sector of industry.

NTOs define the national occupational standards for Scottish vocational qualifications and, south of the border, for national vocational qualifications. They are also responsible for developing the framework for modern apprenticeships, the arrangements for which are very different in Scotland from those south of the border. SCONTO plays a central role in modern apprenticeships.

Given our broad role and the confused context in which we work, SCONTO believes that NTOs should work together in broad sectoral groups. All the NTOs connected with a sector are encouraged to develop a joint strategy so that they are not all doing different things. In tourism, for example, a group called Impact Scotland is to be set up, although it is not quite inaugurated.

Not only NTOs should work together. SCONTO

firmly believes that broad partnerships are the key to success in skills and business development. We run a broad network, which we like to think of as a power exchanger, where information is disseminated and people are brought together and encouraged to engage in project work—there is nothing like projects that result in a product to get people to work together.

We work with Scottish Enterprise, Highlands and Islands Enterprise, the Confederation of British Industry Scotland, the Scottish Trades Union Congress, local authorities and local enterprise companies, with whom we work closely on the modern apprenticeships. Partnership is the key and a large number of players have an important role to play—the paper gives a fuller list.

In practice, SCONTO and the NTOs advise Government and key partners on sectoral and other issues, gather labour market intelligence, work with the Scottish university for industry and promote the uptake of qualifications through modern apprenticeships. SCONTO helps NTOs to identify and predict skills needs. If people are interested, they should feel free to ask me more about what we do later.

I shall go on now to some of the key points in the paper. I stress again the importance of partnership, working with others and getting involved in national and local committees. For example, SCONTO is represented on the European plan teams for objective 2 and objective 3 funding and, in the Highlands and Islands, for objective 1 transitional funding. As a matter of fact, I do that myself because I happen to live up there, but that is just a coincidence. We also represent the NTOs, which are not all represented separately, on such bodies as the ministerial committee to identify the needs of the manufacturing sector. We gather information from the NTOs and act as the mouthpiece for them.

In considering local economic development, all the players I mentioned—local authorities, chambers of commerce and local enterprise trusts—have a role to play and we need to know how to make sense of that. There is another sector that is often forgotten about—the voluntary sector. The voluntary sector is very important to local economic and business development. Not only do voluntary sector organisations have a lot of employees and volunteers, but by assisting individuals to become more employable, they benefit the local economy. Measures that assist social inclusion, such as the new deal, the new futures fund initiative, and the recommendations of the Beattie committee, are absolutely key to successful local economic development.

We work with the Scottish Executive, Highlands and Islands Enterprise and the LECs. Although there are some things that could perhaps be

improved, SCONTO would hate the present system to be upset. We want people to work more closely together and we would not like to work to the English model, in which the training and enterprise councils have been demolished and new local skills councils and regional development agencies are being set up. Scotland has a better history in working effectively. We must not throw the baby out with the bath water; we must co-operate so that the system works properly.

I rather regret the fact that the word training crops up in the title of NTOs; I sometimes get heartily sick of the separation between business development and skills development. Often, LECs have separate directors for business development and for training. Training is considered a poor relation and is associated with national programmes for skills development. We have skills development only to achieve a more prosperous population and a more prosperous economy and the two areas are really indivisible. I would like business development and skills development to be recognised as synonymous.

SCONTO would also like a greater emphasis to be placed on in-company training, perhaps with financial support or inducements, especially for small and medium enterprises and for micro-businesses.

Local enterprise companies and other organisations have a role to play in trying to create a flexible system so that, for example, a small business is not hit with a dozen different advisers connected with Investors in People, skillseekers and other funding. The system must be rationalised because small businesses do not have the time to deal with all of those matters.

With regard to qualifications, the Scottish credit and qualification system could be the key to providing a framework for company training, but a lot needs to be done to make it flexible and more user friendly.

The Convener: Thank you. I would like to think that this committee is doing its bit to recognise that skills development and business development should not be separated in our inquiry. You seemed to acknowledge that.

Marilyn Livingstone: As you are aware, the work of the Scottish Council of National Training Organisations has brought together different organisations to produce flexibility and a common framework. I wish to address your points about the national qualifications network and SCOTCAT—Scottish credit accumulation and transfer—credits. You said that they might be the tool to remove some of the confusion in the marketplace. I also wish to explore young people starting training and in-house training.

I will ask you two questions. There are targets to

be reached with regard to the promotion of modern apprentices. In your role of promoting modern apprenticeships, what support have you received from national training organisations, and do you think that the qualifications framework will help people to undertake modern apprenticeships? I ask that question because SCOTCAT credits can constitute the first year of a degree. What support are you receiving for modern apprenticeships from the NTOs and universities?

Ms Kellie: NTOs have to support modern apprenticeships because they are recognised by the Scottish Executive and the Department for Education and Employment for that purpose. NTOs develop the frameworks and are very concerned to get help from key partners in Scotland, such as LECs, to deliver modern apprenticeships.

There is a problem with the uptake of modern apprenticeships, in that not a lot of effort has been put into promoting them on a Scotland-wide scale. The modern apprenticeships implementation group, of which we are members and which we service, is chaired by one of the LECs. The group is good and active, and endorses the frameworks for use in Scotland. It has established a promotions marketing group and is getting LECs and Highlands and Islands Enterprise to put together a war chest to improve promotion. However, extra support is needed, because the target of 20,000 modern apprenticeships requires a lot of apprentices.

With regard to training credits, it is quite easy for young people who are doing, for example, a level two qualification to convert to a modern apprenticeship. At the heart of every modern apprenticeship is the fact that the apprentice must achieve at least a level three Scottish vocational qualification.

On the issue of credit transfer, a lot of work remains to be done. Bodies such as the Scottish Qualifications Authority have a lot of work to do to help us. My concern about the Scottish credit and qualifications framework is that it still tends to be geared towards academic achievement. The important principle is that of fit for purpose: vocational qualifications from in-house company training are sometimes just as valid as academic qualifications—and are probably even more so in some cases. The SQA needs to do some work on that.

Marilyn Livingstone: We have been discussing the cost of education. My point is that there is a cost in someone gaining a level 3 qualification and going on to do a modern apprenticeship. I am concerned that only some universities take on board that that would exempt a student from the first year of a degree. People should see that

ladder and see flexible entry and exit points. I want the committee to take that point on board.

Ms Kellie: Some NTOs have done useful work on that, in that they consider this in terms of continuing professional development and they link with professional institutions. We must do a lot of work with the higher education sector to persuade it of the worth of modern apprenticeships.

11:15

Marilyn Livingstone: The SCOTCAT brochure states that NTOs will consider qualifications, guidance and training needs and what is most appropriate—and not just target SVQs. I welcome that, but we must consider that LEC policy insists that young people taken on as skillseekers are forced down the SVQ route. Have you seen any movement on that?

Ms Kellie: I have lived with SVQs from the beginning. It has sometimes seemed a losing battle. Perhaps we ought to examine the framework and consider a much more unitised system. We ought to be able to, if you like, put different units together and parts of units together. Highlands and Islands Enterprise was doing some work on the issue, so there is some movement on that. It is horses for courses—it is a matter of what best meets the need.

Mr Duncan McNeil (Greenock and Inverclyde) (Lab): You mentioned in-house workplace training and personal development. A lot of issues arise from that, such as what local colleges deliver and what funding is in place. Whether a person gets the opportunity to train seems to depend on what company they work for. Is there a case for a lead organisation to tackle issues such as funding?

Ms Kellie: NTOs could take a lead in their sectors with their companies.

Mr McNeil: NTOs are not the only organisation to claim that.

Ms Kellie: I have to say that some of them are more experienced than others. The LECs could probably do a useful job as well.

There are models. In Fife—if Marilyn will forgive me—the local authority, the LEC and us, representing the NTOs, worked together to develop a training strategy that included in-house company training. There are good models—the issue is how to spread them.

There is a good model in Lanarkshire also: we, the NTOs, the two local authorities and the LEC are working together. It is—I think—called “Learning in Lanarkshire”. It is examining how to create a hub that can provide on-line training to individuals and companies. We should gather those good models and disseminate them.

Mr McNeil: Do you agree that as the training available can depend on where a person lives and what company they work for, there is a case for a lead organisation? The question is, what organisation would that be?

Ms Kellie: It should be a lead organisation in partnership with other organisations. That is what I am saying.

The Convener: To take the two examples you gave—in Lanarkshire and Fife—I accept that there is a partnership, but is there a lead agency?

Ms Kellie: The lead agency tends to be the body with the money.

The Convener: Is that the LEC?

Ms Kellie: Yes, it often is.

Marilyn Livingstone: In Fife it was the council.

The Convener: We accept that there are myriad organisations, but we want to discover how best practice bursts through that. Does it have one lead agency behind it?

Ms Kellie: It can be different in different places. It can depend on which agency takes the lead.

Ms MacDonald: I am interested in what you said about the possibility of there being different models throughout the country. I am sure that there could be, but that would mean that there would be a very disparate service. Given that the lead organisation will be the one with the money—in effect, the local enterprise company—how do we address the fact that some LECs are in a better position than others?

My next point is completely different: how do we ensure that the university for industry is not just a telephone helpline?

Ms Kellie: The Scottish university for industry could do all sorts of things. It could take the lead in identifying good practice and the projects that work. It could act as a national hub for local delivery of various types of training, including on-line training.

There is a great danger that the university for industry will just be a telephone helpline that accesses a national database of existing provision. We have to work together to ensure that the university for industry reaches its potential.

Ms MacDonald: Does the training access points—TAP—database still exist? I put it together about five years ago.

Ms Kellie: Yes, but it is called something else now in different places.

The Convener: We are straying off the remit. On Margo's first point, about disparate lead organisations, how does having different set-ups

in different parts of the country affect cohesion?

Ms Kellie: There ought to be a skills strategy for Scotland. Hopefully, that will emerge from "Opportunity Scotland" and "Skills for Scotland".

There should be a national strategy that connects with the strategies of Scottish Enterprise and Highlands and Islands Enterprise and with the NTO strategies. There is an argument for different delivery systems in different places. I work a lot with Highlands and Islands Enterprise, which has distinct circumstances—a huge area, a scattered population and the predominance of micro-businesses.

Local partnerships are important. I accept that there has to be a lead agency and that because of the way in which funding is structured that agency is likely to be the local enterprise company, but I do not think that LECs should run by themselves; national training organisations, local authorities, and enterprise trusts also have a role to play. That is why the Lanarkshire and Fife models are good.

Elaine Thomson (Aberdeen North) (Lab): Margo has asked the question that I intended to ask about how the university for industry might change the way in which people access training. To pick up on Duncan McNeil's point, access to training is a lottery depending on where one lives, and—for people who are in work—on what company one works for. I hope that the university for industry will ensure that everybody, including people who are in work, has access to training.

To what extent does your organisation represent companies that are not training companies but have very large training departments?

Ms Kellie: Our organisation represents the national training organisations—forget the word training, as it is skills and business development that is important. The NTOs broadly represent employers in their sectors. I will set training providers—including colleges—to one side, as the NTOs are not training providers or companies, although they connect with them.

Fergus Ewing: Last week, I spoke to individuals from two commercial companies involved in the delivery of training. Both expressed grave concerns about two things. First, they are subject to a welter of paperwork and bureaucracy in terms of the contracts that they receive from local enterprise companies in the Highlands and Islands. Secondly, the audit requirements on them, in relation to the training packages that they deliver, differ from one LEC to another. What are your views on that?

Ms Kellie: I am surprised to hear that about Highlands and Islands Enterprise, because it has a much more unified, top-down system, which is being improved. Other LECs use different

systems—in the Scottish Enterprise area they use a plethora of systems. Modern apprenticeships, for example, have different funding criteria, which is really unfair and unequal and means that a modern apprenticeship programme might not be able to get any funding at all in Dumfries and Galloway, but might get it very easily from the Glasgow Development Agency. Some will fund apprentices to the age of 18 while others will fund to the age of 25.

Fergus Ewing: Should there be national standards for funding?

Ms Kellie: Yes.

Fergus Ewing: Who should devise them?

Ms Kellie: I think that the Scottish Executive should be working much more closely with the enterprise network and the NTOs—hopefully it will. An amalgam of those bodies could devise such standards. It is ridiculous that there is different bureaucracy and it is unfair that there are different funding systems.

Mr Johnston: I am pleased that Fergus asked about modern apprenticeships, because that scheme needs to be unified across Scotland.

I would like to refer you to page 11 of your brochure, "A practical approach in Scotland", where you mention core skills. Surely they should be provided by schools. We seem to have no seamless approach between secondary schools and further education at all. Pupils are coming out of secondary schools without skills in numeracy, literacy and communication. Do you see a situation in which schools could be validated for providing those skills, which would integrate into SVQs and modern apprenticeships?

Ms Kellie: I think that I have good news. I hope that I have good news. In the higher still reforms and at standard grade a lot of work is being done on core skills. Pupils should come out of school with a core skills portfolio. If they were then going into modern apprenticeships and had done core skills in communications or in numeracy, they would not have to repeat those courses. At the moment, the situation is not good, but there is hope on the horizon. Current reforms in secondary education may ease that problem.

Mr Johnston: How can we push that forward? It is essential to equip our young people at school for the responsibilities of gaining employment and skills later on in life.

Ms Kellie: A lot of work is going on in Scotland regarding core skills delivery. One of the partners that I did not list on the short paper I presented to you is the National Centre for Education for Work and Enterprise. Its programme is about ensuring that young people come out of school ready for the world of work and that they have core skills.

I think that the definition of core skills is too narrow. There are softer core skills than communications and numeracy. People are frightened of that because they say it is difficult to assess softer core skills—some of them are more attitudinal and are not as easy to assess as a written paper, or something similar. Work—in which we are involved—is being done on that. A lot needs to be done and support for such work would be welcome.

Helen Eadie (Dunfermline East) (Lab): Good morning, Jenny. You said that more needed to be done about voluntary sector input. Will you expand on that comment? I ask that because I have a keen interest in employee ownership and co-operative development. It is my perception that co-operatives have done a tremendous amount over the years to help those people whom many committee members would recognise as among the most disadvantaged. In other words, co-operatives have been able to motivate people who otherwise would not have become involved. Do you have any thoughts on how that involvement could be extended into the bigger scheme of things through a strategy approach? There is no such strategy at the moment.

11:30

Ms Kellie: One of our national training organisations is for the voluntary sector. It operates through the Scottish Council for Voluntary Organisations and is doing a lot of work in this area. The issue concerns not only strategy, but the perception and promotion of the voluntary sector. Social inclusion not only rightly helps the individual but, by doing so, helps the community and local economic development.

I am sure that there is contact between the different committees of this Parliament. However, we have an Enterprise and Lifelong Learning Committee—it is great and I love the title—that is separate from the social inclusion committee, or whatever it is called, and the education committee. There should be partnership activity between those committees, just as there should be partnership between the different agencies.

The Convener: I am sure that there will be joined-up activity between the committees before long.

I close this part of the meeting with a question. In your paper, you refer to the players in local economic development. I understand that the national training organisations are among those players. What services are delivered locally by national training organisations in terms of economic development? Are they unique or are they also provided by other players?

Ms Kellie: They are provided by other players,

but national training organisations can bring a UK perspective to the local situation, which is why the partnerships with the local enterprise companies work so well—they can work in local committees, groups and partnerships to spread good practice. There are examples in Glasgow Development Agency and Lanarkshire Development Agency of the national training organisations working with the local enterprise companies on that basis.

Allan Wilson: Can they focus and address skill shortages in localities across sectors?

Ms Kellie: My national training organisations are, like everybody else, strapped for cash. There are also UK bodies, some of which have an active set-up in Scotland. I could not, hand on heart, say that every national training organisation could perform as well in every area of Scotland. I might say to one of my national training organisations, “Right. You are the NTO for”—to take a ridiculous example—“sea fish. There is no point at all in going to talk to Glasgow Development Agency. You do not want to get involved in that local partnership but, my God, they really need you in the western isles.” We must consider where sectors of employment are important.

A lot can also be done for local initiatives. A good example is the work of the national training organisations with the food and drink cluster in Scottish Enterprise. They are delivering an awful lot of things locally with Highlands and Islands Enterprise as well.

The Convener: Thanks very much, Jenny. Do you want to make any final remarks about the subjects that the committee has covered this morning or about our inquiry?

Ms Kellie: I stress again the support for a systematic approach to in-company training, especially for small and medium enterprises. We should all work together to promote that. I am grateful for this opportunity to talk to the committee.

The Convener: It has been a pleasure to hear your input. Thanks for your time and trouble.

11:35

Meeting suspended.

11:39

On resuming—

The Convener: I welcome Ms Jean Hamilton and Mr David Greaves, who will make a presentation on their work with the Scottish branch of the Institution of Economic Development. I understand that they are here in a private capacity, to represent their work for that organisation and not to represent the

organisations by which they are employed. They are experts in economic development and they will assist our work. After the witnesses have given their presentation, I will open up the discussion.

Ms Jean Hamilton (Institution of Economic Development): As the convener said, we are here on behalf of the Institution of Economic Development, which is a professional institution of economic development practitioners drawn from the range of economic development agencies in Scotland. It is representative of the whole of Scotland and draws its members from local enterprise companies, local authorities, Scottish enterprise trusts, consultants and academia.

Over a year and a half, the IED undertook a wide-ranging policy consultation exercise with its members. We set up a series of focus groups that included people drawn from each of the houses of economic development that I have mentioned and asked what they would recommend—if they could start on a clean sheet of paper—to improve economic development. This committee’s inquiry is, therefore, pertinent—it hits the same buttons as the work that we have been doing.

I would like to run through some of the headline issues that the policy groups came up with. I will focus on the structure of economic development and the skills of the work force, as I understand that those subjects are the focus of the committee’s inquiry, although it is worth saying that they comprise only a part of economic development—issues such as inclusion, access and physical business infrastructure must also be considered as part of the wider economic development solution.

The first recommendation is that there should be a single, shared economic development strategy for Scotland. The fact that there is not one is shocking. Scottish Enterprise has one strategy and local authorities have theirs, but there is no single strategy that everyone is working to. A single national strategy could spawn local strategies and provide a framework for the huge range of functional strategies, such as the global companies inquiry, technology ventures, export strategy and inward investment strategy, which should all be driven by a single Scottish economic development strategy.

The second conclusion was that there should be a review of the overall structure of the delivery of economic development. We are carrying out such a review. We have concluded that both the enterprise network and the unitary authorities must continue their involvement in economic development. They have unique roles, so we could not say that one should do the job and the other should not. The major structural change that we think is required is that a single agency should undertake one-to-one support for business

development. We, as a profession, are consistently criticised because of the confusion that arises when people feel that they have to go to too many doors and that there are too many programmes. We are not prescriptive about what the single agency should be, but we believe that it should be drawn from existing business development agencies, programmes and staff.

Mr David Greaves (Institution of Economic Development): The single agency should exist at local level, however that is defined—there should not be just one such agency for the whole of Scotland.

The Convener: Do you mean that the agency would be at local enterprise company level, which would mean that there would be 12 or so such agencies throughout Scotland, or do you mean that they would exist at local authority boundary level or local enterprise trust level?

11.45

Ms Hamilton: We did not go into detail on that in the recommendations, although it was implicit that the agency would exist at LEC level. However, that will differ in different areas.

Mr Greaves: Our work specified the precise level, which, as Jean said, will depend on local conditions. Betraying my professional background—

Ms Hamilton: He works for a council.

Mr Greaves: I work for a council, so my view might not be that LECs necessarily provide the natural boundary for such a single agency. Does size matter in this instance? I guess that there has got to be a minimum size to generate a critical mass. In some instances, that may be done at LEC level, but I contend that it could be done at a local authority level.

Ms Hamilton: I may not have explained one issue when I spoke about there being one agency. Although we are considering what size of geographical area would be necessary, that area would almost certainly require local delivery points. That would be the case for Lothian, which would require either trusts or something at a local level to which smaller companies in particular could have access. That would involve more of a branch structure—but I am worried that I am making this more confusing than it is.

Let us consider business development in Lothian. There are Lothian and Edinburgh Enterprise Ltd, four local authorities, three or four trusts, a chamber of commerce and a local export partnership, all of which would come together in a single agency—it would be a single organisation, a single employer, a single recipient for all funding. It would have to have different points of access; it

would not be sensible for everything to be delivered from an office in Edinburgh. However, that does not take away from the fact that there would be a single agency that is branded as such—people would be employed by the same organisation, which would typically offer the same programmes to similar companies. Is that a bit clearer?

The Convener: I certainly have a fairly clear idea of what you are saying.

Ms Hamilton: As I am sure that everyone has told you, partnership is essential. Whatever happens, we will end up with more than one agency involved in economic development. Even in a wider context, it is not sensible for Scottish Homes, or health organisations, which have an important role to play in economic development, to act singly. Effective partnerships are fundamental.

A review of performance measurement is needed. Much economic development is driven by what we can measure rather than by what we actually want. We could get a lot cleverer at that.

Some powers that are currently reserved should be devolved—the most obvious one relates to the national training programmes. I do not understand why it is not devolved; I do not think that anyone will move from London to Edinburgh to get a slightly better allowance for training for work, but perhaps I am being cynical.

We need to target resources within business development. It is not viable or effective to attempt to provide equal support for each business—we need to pick the companies that will deliver the greatest economic benefit, which tend to be the high-growth companies. There are, however, other priorities, including organisations that are in trouble or that could be candidates for downsizing—by supporting such organisations, we may be able to prevent unemployment.

The norm for the delivery of business development has been to use short bursts of advice and input to companies. We think that that should change. Support for businesses should involve a much longer-term relationship with an adviser or a consultant or whatever one calls them; it should be much more focused on skills transfer. There should not be a division between business development and company skills development—fundamentally, they are the same thing. Companies should invest in skills to achieve their business objectives.

At the moment, much advice is given through external experts, who are paid to write a marketing plan or something similar. After they have left, companies are unable to write their next marketing plan. The process should be much more about skills transfer—about teaching the company how to do such things for itself.

There needs to be a major improvement in the skills of advisers, both those employed in the public sector and those who work as consultants and advisers to companies. There should also be an account management system. That is the jargon for each company working with a named individual. It would mean that, although a number of specialists might be brought in to help a company, the company would always have a named individual adviser working with it and co-ordinating support.

There should be specialist cross-LEC programmes, and cross-Scotland programmes, where appropriate. There are a number of areas of business development—the obvious ones are supporting high-growth new starts, technology and product-development support, and corporate finance investment—where specialist skills are required and where demand in any one area tends to be low. That makes it impossible to achieve the critical mass necessary to come up with good programmes. We should, therefore, encourage greater collaboration between areas.

It would be useful to have common business supports, where possible. That takes us back to the issues of confusion and branding. We are not talking just about the structure—if anything, we are talking more about the programmes and initiatives and the sort of support that businesses get.

Currently, the Scottish Executive undertakes direct business development through its innovation division, which is responsible for schemes such as the small firms merit award for research and technology and support for products under research. We think that that should become part of a single business development agency.

At the moment, European Union funding militates against what we call holistic business development. Effective business development is often about asking companies what their problems are and what needs to be done, and about customising a programme that will meet their needs. The EU will not fund that sort of thing. We must be able to say exactly what we intend to produce and by when. It would be useful if the system could be more flexible.

The Convener: Could you bring your remarks to a close?

Ms Hamilton: On the skills side, programmes need to be much simpler. There are far more rules than are really necessary. The focus should be on increasing the demand for learning, rather than on the supply side. At the moment, the vast majority of activities relate to the supply side. A major shift is required, not tweaking around the edges. We as a profession do not do much workplace training.

The Convener: Thank you, Jean. I am lost as to where to start, but let me begin with the economic

development strategy. In some ways, I am staggered by the fact that you say in your paper:

“We recommend that a shared Scottish Economic Development strategy is prepared”

and that such a strategy is not already in existence. To what extent do you and the organisation that you represent feel that there is a lack of focus, cohesion and co-ordination in what the different agencies are doing?

Mr Greaves: My view is that economic development practitioners in Scotland are great at writing strategies, because they produce so many of them. The membership is concerned that there are many strategies, but no all-embracing and forward-looking strategic plan—it does not have to be a big one—to which the profession and organisations that are or will be engaged in economic development can sign up.

The Convener: In effect, you are saying that a range of people are working for different agencies—local authorities, local enterprise companies and so on—to produce component strategies for their organisations, and telling the Institution of Economic Development that there is no cohesion in our economic development strategy. Is that a direct result of the fact that so many organisations are involved? Is not Scotland's principal economic development agency—Scottish Enterprise—able to enforce the pursuit of an economic strategy for Scotland?

Ms Hamilton: Scottish Enterprise is responsible for developing its own strategy for the Scottish Enterprise network, but has no authority over local authorities or others.

Mr Greaves: Perhaps “authority” is too strong a word. We are talking not necessarily about imposing Scottish Enterprise's will on the functions or approach of local authorities, but about leadership and giving clarity at a national level to organisations involved in economic development. The Gaelic signs in the Parliament should remind us that Highlands and Islands Enterprise and other Highlands and Islands bodies are also involved in this issue.

Ms Hamilton: The Scottish Office would have been responsible for national strategy. However, for whatever reason, there was not one.

The Convener: A clear distinction in your proposal is that one agency should be responsible for business development support. I assume that, if that agency were to be Scottish Enterprise, local authorities would be required to move out of direct business development and the Scottish Executive would move out of innovation issues. Organisations such as enterprise trusts would, in effect, become the small business support departments of local enterprise companies.

Ms Hamilton: We are not saying that the body needs to be a local enterprise company; other models could work just as effectively. There is no reason why local authorities and LECs could not set up a single business development agency between them. That would create more ownership for both parties. However, it is important that many bodies such as trusts come into the fold and become part of the same organisation. Although trusts are funded by LECs and local authorities, they often act independently and that adds—

Mr Greaves: It adds potential confusion for customers.

Ms Hamilton: The trusts get 90 or 99 per cent of their money from LECs and local authorities, anyway.

Allan Wilson: When you say agency, does that mean that a group of different organisations would work in partnership or that there would necessarily be an individual agency?

Ms Hamilton: There is a difference. We need to get past the idea that there is an ideal solution for what might work best locally. The bottom line is that one solution is unlikely to work in every area of Scotland. Every programme or restructuring that has ever been implemented has worked well in some areas and not so well in others. Although partnerships might work in some areas, there will be a lot of problems. For example, people will be employed at different rates by different organisations.

Allan Wilson: You accept the principle of wider partnerships in education and social inclusion, but not in economic development. Is that not a dichotomy?

Mr Greaves: We are talking about business development. I do not think that I disagree with Jean on this issue. My view, which will be expressed anonymously in my employer's submission, is that a partnership that brings principal agencies together—in this case, at a local authority level—can work. Whether it is constituted as a separate company, a formal partnership or something in between is not the critical issue. It is critical to get everyone working together to a common strategy to deliver the quality services that businesses value.

12:00

Ms Hamilton: It is possible to get too caught up on the minutiae of what a structure or legal entity might be. The principle is that a single agency should deliver all business development.

Mr Greaves: Local authorities and local enterprise companies, along with other agencies, particularly the chambers, are the principal drivers at a local level. The broader economic

development role of the local authorities is important. The information that a local authority might receive through being involved in a joint venture company can inform the other services that the local authority offers to companies, such as regulatory services. That is why the role of local authorities in direct business support is important.

George Lyon: When John Swinney introduced the two of you, he said that you were here in a private capacity, rather than representing the Institution of Economic Development. Is that right?

The Convener: I said that they were not here to represent the organisations that employ them. They are here to represent the Institution of Economic Development.

Miss Goldie: We need to be clear about this. I am confused about whether the view that is being expressed is an Institution of Economic Development view or the view of certain individuals.

Ms Hamilton: My opening comments were driven by the year-long consultation process. We prepared papers and consulted with our 270 or so members. It is difficult for us to give the profession's view on matters that we have not consulted deeply on. It might be useful if we made the committee aware of which of our comments are based on consultation with the profession and which are our personal interpretation of matters.

Miss Goldie: It would be helpful to know if a view that has been expressed is a corporate view or a personal view.

The Convener: I assume that the two papers that we have in front of us are representative of the views of the Institution of Economic Development. If some views are expressed in a personal capacity, it would be useful to have guidance on that.

George Lyon: Do the papers before us contain the views of the members of the Institution of Economic Development or those of the customers of the organisations that we are examining in the field of economic development?

Ms Hamilton: The views were expressed in discussions with the members. No contact was made with customers or clients.

George Lyon: These are the views of people who are involved in the industry.

Ms Hamilton: Yes.

George Lyon: I would like you to expand on the part about monitoring, evaluation and measurement. We heard some strong evidence from another witness this morning about the value that is added by the LEC network. He questioned whether such an evaluation has ever been done. He also questioned the cost basis of the LEC

network. I would like you to expand on how we can determine whether value for money is being achieved.

Ms Hamilton: The survey has highlighted a number of weaknesses in the current performance monitoring and measuring systems and processes. Evaluation and monitoring of economic development is hard. I make a lot of money by advising people on it, so it must be relatively hard. The difficulty is that much of what we want to measure is not quantifiable and cannot be easily measured. We may want people to change their attitudes to raising their aspirations to grow their businesses faster, or we may want people to change their attitudes to be more positive about learning, but those are not easy things to measure.

The major criticism is that the existing performance measurement system falls back on things that are easy to measure, rather than relying on the things that are most appropriate. The obvious example is skills. The only real measure that is ever used for skills is vocational qualification attainment, and that does not really hit the button for much of the skills activity that we are trying to promote.

Many of the constraints in business development are to do with timing. Most of the performance evaluation reports that are required for the Scottish Executive and the Scottish Parliament ought to be about what has been achieved this year. The vast majority of business development benefits may result from an intervention this year, but that will not be known until three years from now. If someone is starting a new export business, for example, they will not make all their sales immediately. We need to look more intelligently at the measures that we are using and include more qualitative measures.

The other thing that has emerged is the need for progression measures. Rather than measuring the degree of help that has been given to a company to make a business plan so that it now achieves a turnover of £10 million, we should be measuring what its turnover used to be and how much it has increased. Some measurements consider progression, but the vast majority of them are snapshot measurements that ask: "Are they exporting now or aren't they? Tick box." It is a complex area and the profession got only as far as flagging up some of the gaps and making some suggestions for improvements.

George Lyon: How would that be delivered? The easiest measurements are the good old targets: the number of jobs created and the number of businesses talked to. That seems to drive a lot of what is done. How do you put the qualitative measurements in there? Will it cost a huge amount of money? Will it be easy to

achieve? We are looking for some suggestions as to how we can make progress on this matter.

Ms Hamilton: Taking off my professional hat, I would say, off the top of my head, that we should look at qualitative measures such as considering whether the average salary of the jobs in question is low, medium or high. That should not be too hard to add in. Almost all the job figures we hear are forecasts, never actuals. I thought that I should warn members about that in case anybody had not realised. All figures should be treated with a pinch of salt.

In terms of business development, we could include some measures of penetration. Instead of saying that we have helped 10 businesses, we could count each occasion on which we help the same business if we help it 10 times. We should be asking how many businesses there are in Scotland, what proportion of those businesses we have helped and what we have helped them to do. That would be relatively easy.

Mr Greaves: A longer-term relationship with individuals in a business is required. That would provide an easier mechanism for monitoring the progress of that business over time, rather than having a three-month intervention and then forgetting about it.

Ms Hamilton: We should set some baselines and look more closely at how the business changes over the years.

Mr Johnston: The paper was very good, very hard-hitting and a very enjoyable read—probably the most enjoyable that I have had on this committee.

If I was to say to you, "Give us three outcomes", if we adopted all your recommendations, what would they be? On a point of clarification, could you expand on the business of the Treasury restricting the number of people employed by Scottish Enterprise. Finally, do you recognise qualifications for business advisers as the way forward?

Ms Hamilton: I will take the easy one first, on Treasury head count restrictions.

Mr Johnston: Yes, please.

Ms Hamilton: Figures are provided to Scottish Enterprise—this applies to the Scottish Enterprise network—on the maximum number. It used to be tied in by number of employees. That is why we had hundreds of contractors. Contractors are allowed as well, but there is a maximum number and, more pertinently, there is a budget restriction on management and administration: only so much of the budget may be spent on salaries and headquarters and so on. That is the main constraint. If the LEC funds an enterprise trust, however, by £1 million, and they use that to fund

staff, that is fine, because it comes out of a different budget.

Mr Johnston: That is what I thought.

Ms Hamilton: The second least hard of your three questions was on recognised qualifications for business advisers. The answer is yes, ultimately. There is currently no recognised qualification. To click our fingers and say, "Let's do that now," would be hard, but I personally think that is the only way that we can succeed if we are working towards some sort of standard.

There has been some work on competencies; good stuff that has been going on in Dumfries and Galloway. They are progressing on a competence basis, which I think is the most appropriate way to go for advisers. I think, however, that it is too soon: it will be two or three years before such recognition of qualifications can be implemented.

Mr Greaves: I would like to reinforce Ms Hamilton's points. We talk about business advisers, but a range of business advisers are involved in different aspects of business advice or in different types of business. It may concern start-ups or larger, small and medium enterprises. It may be difficult to come up with a single, coherent qualification standard which embraces all.

Ms Hamilton: Do you also want me to answer the question about the three outcomes?

Mr Johnston: Yes, the three outcomes.

Ms Hamilton: Och, the world would be a better place. We would remove unemployment and—*[Laughter.]* My interpretation of what will happen is this. Coherence would be a huge step forward. Too many people are doing different things and are sometimes in conflict. That conflict—people working against each other—should be reduced. I do not think that that will ever go, because there will always be two people in the same organisation in different departments who will do things differently.

I think that the value of the single economic development strategy would be huge. It would be beneficial to agree what we are all trying to do and to focus and direct all our actions. It would be similar to major multinationals, where there is often a single objective, for example, "Let's keep all our customers incredibly happy." When everyone is focused on that, our effectiveness would be improved substantially.

Have you got another question? *[Laughter.]*

Mr Greaves: The same principles apply on a national level as on a local level. Let us not worry about how we define that: by LEC or local authority boundaries. It is a matter of bringing together the strategic thrust, a common vision for the local area and the connectivity of the range of

organisations currently providing, or purporting to provide, services in a coherent whole at a local level.

George Lyon: I want to pick up on a particular point: the single strategy. Do you honestly believe that one single strategy will fit the whole of Scotland, given the huge range and diversity of some of the challenges that are out there in terms of economic development? The committee spent some time in Inverness last week, and those of us who represent such areas will tell you clearly that there is a different agenda in those areas about how to develop businesses and about economic regeneration.

Ms Hamilton: You have just answered your own question. Different delivery mechanisms will be more effective in some areas than in others, but the goals are the same: to increase wealth and to reduce unemployment. That is why there should be a single local strategy. Each area will be different, with different companies, issues and industries, but the goal will be the same.

12:15

Mr McNeil: You identify the need to stimulate demand for skills in lifelong learning. Have you any idea of how we compare with competitors in this area? How would you stimulate that demand, and which bodies would be responsible for devising a strategy to do that?

Ms Hamilton: In general, Scotland performs very well on education, but very badly on employee training. We compare badly with the UK as a whole, and internationally.

It is hard to say how you stimulate demand. Until recently, support for employee training was not allowed. Scottish Enterprise was not allowed to carry out, or give encouragement and grants for, staff training. That is why there were all the Investors in People fudgy strategy type things rather than straight grants. Perhaps that is a bit unfair.

We made some suggestions for how demand could be stimulated. One was a comprehensive advice and guidance initiative, which would apply both to individuals and to companies. It would work out what skills a person or company needed, where they could go to get training and what advice we could give to get them there. Currently, advice and guidance is restricted to young people coming through the careers service. Adult guidance is broadly restricted to those who are unemployed. There is nothing out there for those who are in employment.

Another suggestion was that we could look at the internal infrastructure in companies and target people with influence, such as managers and

internal trainers, who could spread the message within the company. That is a big theme throughout all the work on skills. If there was one thing that we could do, it would be to raise the skills of managers and leaders. That would have a bigger impact than anything else.

We also suggested an advertising campaign. Marketing and awareness must be part of a wider strategy of stimulating demand. Changing attitudes tends to need a mixture of things to happen at the same time. In that context, some awareness raising would be valuable.

I think that is all that we came up with.

Mr Greaves: I do not remember exactly what we came up with, but my professional experience of the general management capacity of smaller companies is that it is stretched, particularly in the area of identifying skills needs within the company. Bringing together the skills and business development strands would mean that smaller companies could be assessed in a more holistic way. I am not suggesting that we take on the role of human resource specialists for those companies, but at least there is scope, through company skills needs analysis, to promote and stimulate demand.

Dr Murray: You mention in your draft policy recommendations the use of the community planning framework to achieve a co-ordinated approach. If community planning can bring the various partners together and co-ordinate an approach, why do you feel that it is necessary to identify a single agency at local level?

I was very interested in the bold statements that your document contains. I am sure that we could pursue them at more length if we had time. I was interested in your recommendation to review the delivery of support to indigenous companies. I felt that Scottish Enterprise became quite defensive when questioned on that. They said that 80 per cent of their effort goes to supporting indigenous companies. What do you feel about how such companies are being supported at the moment? I know that you feel that support needs to be more targeted.

I was also interested in the comment in your second document on tourism businesses:

"Support to tourism businesses should be carefully considered and only provided to those businesses who genuinely have potential ..."

What is the thinking behind that? I also wondered how that would be assessed and how you would foresee that being developed.

Ms Hamilton: The problem in supporting tourism businesses is displacement, to use the jargon. Unless a business is targeted at attracting new visitors to Scotland, or at encouraging visitors

to stay in Scotland who would otherwise have left, it will not generate any net additional activity at Scottish level. That is why we do not provide support to shops—if help is given to one shop, it would serve only to put another shop out of business. We are not saying that tourism should not be supported, but we must get at the businesses that are more likely to have an international hook or support companies in becoming more international.

Dr Murray: Do you mean new developments and new marketing?

Ms Hamilton: Yes. We want to support tourism businesses, but we also want to focus directly on improving economic activity. If we help a hotel to do up a bedroom, that will not have an additional net effect at Scottish level.

Another of your questions related to indigenous companies versus inward investment. I used to work for Scottish Enterprise. I do not think that there is a conflict between supporting companies that are attracted by inward investment and supporting indigenous business development. The biggest problem in business development is spending the money that is available. To my knowledge there has never been any conflict in decisions to support one business rather than another. It is often not useful to ask such questions. It is like asking if you like my aunt better than you like my uncle.

Dr Murray: Do you feel that improvement must be made in the way that indigenous companies are helped?

Ms Hamilton: Yes. That has much to do with such things as the skills of advisers, the process of delivery and the type of support that we give, which might be too short term. The support that Locate in Scotland offers businesses to attract them to Scotland is pretty good. Scotland performs better in that respect than do most European regions, although I would need to see figures to confirm that. I would not worry—we must just focus more on what we do with indigenous business development.

Community planning is a broader issue than business development.

Dr Murray: Do you feel that the aims of the single agencies could be incorporated into one highly effective system of planning?

Mr Greaves: Based on my professional experience, it seems to me that the community planning framework provides the overarching framework for a local economic development strategy. That can bring together the key strategic partners at local level. We suggest that there must also be a single agency that delivers business development rather than broad economic

development services. That agency must inform the community planning process but the issue is delivery, not planning.

Mr Davidson: I enjoyed the paper, but I would like clarification on something. Mr Greaves and Ms Hamilton seem to be sitting on the fence in defining where support should come from. There is a clear statement from the institution that local authorities should cease to provide support, but the witnesses have backed off from saying that. Can the witnesses, for the committee's benefit, confirm the institution's view on that?

Nick Johnston asked about outcomes and a recognised qualification was mentioned in the response. Do you think that you should become a chartered body, with chartered members? If so, how will you achieve that?

Ms Hamilton: I think that you may have an earlier Institution of Economic Development paper. The formal view of the IEDS is that there should be one agency. However, we do not specify which one it should be, because although it might be appropriate to do that in some areas—for example the local authorities would stop and we would focus on the LEC—in other areas it would not.

Mr Davidson: So the statement in 2.19 on your paper on structures and processes is not true—we can check it afterwards.

Mr Greaves: That is a working paper that fed into something else that is still technically a draft document as it has not yet been endorsed.

Mr Davidson: Okay.

Mr Greaves: There are some working papers, but the shorter version is the final policy document.

Mr Davidson: You talked about the lack of cohesion in delivery systems, yet there seems to be a clear statement here giving a sense of direction to that. You are emphasising the principle of a single delivery agent per company.

Mr Greaves: Single delivery by area.

Ms Hamilton: On your question about a chartered body—I think that you were referring to business advisers and their skills—this is a diverse profession. A number of people come in with professional qualifications—chartered accountants and so on. One would have to be clear that a chartered body would add substantial value to the current processes. There is a small firms advisory NTO down south that is working in this area now. As long as business advisers are accredited, we will be happy—it does not need to be done by us.

Marilyn Livingstone: This morning, we explored whether competition within the enterprise trust network was healthy. Is competition or collaboration appropriate for a single agency?

Ms Hamilton: We did not cover that, so this will be a personal view.

All trusts and agencies have a geographic client group, so there is no competition for work with companies. There is competition only in terms of people saying, "I am really good. I am doing this great thing. Give me money for a pilot."

Marilyn Livingstone: I will clarify that competition here means tendering.

Ms Hamilton: We did not talk about that, although I have personal views. I think that it is a waste of time—it is a made-up process on which lots of people spend lots of unnecessary time. In practice, if an agency or trust is not working, the LEC and local authority sorts it out; if they cannot, they shift the contract elsewhere. That is the process that works. It is more important to get good performance measures and benchmarks than to go through some competitive tendering process.

The Convener: Thank you very much. I will draw this session to a close. Do you have any final remarks before I sum up?

Ms Hamilton: Thank you for the opportunity and good luck.

The Convener: That is possibly good advice. I thank Jean Hamilton and David Greaves for their contribution and the Institution of Economic Development for its thought-provoking papers. We are charged with steering a course through a lot of evidence from a lot of organisations to work out something that delivers the optimum service to people and businesses in Scotland.

Appointment of Adviser

The Convener: We now come to the remaining items on the agenda.

Fergus Ewing: I have a pressing engagement so I will leave at this point.

The Convener: We will try to do this as quickly as possible.

A paper has been circulated on the appointment of an adviser to assist the local economic development inquiry.

12:30

We must pay careful attention—this relates to the remarks that I made at the start of the meeting—to ensure that we keep focused on the job that we are trying to do in this inquiry. We must ensure that we do not wander too far off, up the highways and byways of other issues. We must keep within our remit.

One of the suggestions that has been made in

discussions with the clerks is to draw in an external adviser who could assist the committee in its work. The clerk's paper is for discussion among members. The recommendation is that we should, in principle, support the concept of an adviser and delegate appointment issues to a cross-party group of members. It is also recommended that we commission some research support to assist in the analysis of existing local economic development services in Scotland. However, I want to say a little more about that recommendation.

The people at the Scottish Parliament information centre have been doing a fantastic amount of work to prepare material for the committee on the grid of service provision within Scotland. Members will not be surprised to hear that it is a big job. SPICe staff have put forward a proposal effectively to delegate the formulation and gathering of much of the information to local enterprise companies and others. I am not keen on the recommendation because I do not think that it gives us the independent analysis we require. However, I wanted the committee to have an open discussion on the issue, as I felt that I would be overstretching the mark if I took a view.

Mr Johnston: I want to draw on my experience of the Audit Committee. When we have held inquiries in that committee, it has been easy to focus on the issues, because the National Audit Office suggests the lines that we take, although we are not forced to take them. An adviser on this inquiry would be useful, because he would keep us on the tramlines, rather than let us go down all the fascinating byways that spring to mind when one reads the papers. I am not sure what sort of beast he would be. Perhaps someone from within the enterprise network who knows where the bodies are buried?

The Convener: I think that that is unlikely.

Allan Wilson: I believe that we have been taking evidence fairly succinctly from the producers and givers of advice. We need now to talk to the recipients—the consumers—of business development advice and to ask them where they think the system has failed. I accept the basic proposition that we should move to appoint an adviser, but whomever we appoint must take on the task of getting out there and speaking to the consumers of advice to get both sides of the story on the delivery of business advice services.

George Lyon: I agree that we need to appoint someone. Indeed, we may need to appoint more than one person at particular points in the inquiry to get the range of expertise. The thing that we need to bear in mind is that this is a small village. Nearly everyone one talks to has been engaged somewhere in the process and has their own view

and perhaps their own agenda. We will therefore have to be very careful with the selection. We will need to consider the people we pick closely, to ensure that we get a truly uncoloured view.

Helen Eadie: Coincidentally, I read the clerks' paper just after I had visited one of the universities where I met a range of professors. It occurred to me that it might be valuable to invite some of the Scottish universities to be part of the process. They would be able to stand back and take a more independent line. They would also be able to outline what is happening in other parts of the world. They could give a more global perspective, which would counter the point that was made a moment ago about the small village. I support the idea of an adviser.

Mr McNeil: That goes to the heart of the matter. Whomever we identify is bound to have an opinion. We have just spent half an hour discussing someone's opinions in many senses. I do not know how we would find somebody independent. I do not know what the enterprise network offered in terms of support, but should we automatically rule it out, as if we are after some sort of alien agency?

Are there businesses that are prepared to consider secondment here as well? Can we get a range of businesses or organisations, or whatever, with people who would consider secondment? Is that contrary to what we are looking at in terms of an outcome? I do not know, but let us have a look at it.

Mr Davidson: Duncan beat me to it. I was going to suggest that we should talk to some of the principal banks, as they have people who are involved in both sides—the success and failure of economic development. They tend to have a broad view rather than the academic view. They would be able to understand what the consumers of the service go through in the process. That is one of a range of areas that we should consider.

Elaine Thomson: I do not think that I have much to add to that. I support what Allan, Duncan and David are saying. It is important that we hear clearly what the consumers—the recipients of all this advice—are saying. There are many different trade associations that represent those consumers, and I hope that we will hear from some of them. We have heard from many providers of economic development, advice and training, but have not heard the other side of the story. Whoever is taken on as adviser must take that into account.

The Convener: Let me draw things together. The point about hearing consumers' opinion is fundamental to our inquiry. If we fail to capture that opinion, our inquiry will not address the concerns that exist. When starting an inquiry, it is much

easier to go to the providers, as they are known, but we must access the opinions of consumers. The danger is that we could line up several people at the hearing in Inverness who had particular concerns about the work of enterprise companies and were quite happy to sit at the table. Whether that would take forward the debate constructively is another matter. We must capture that opinion.

The point that George makes is valid; we are a small village. Even among the academic community that would be able to advise us, there are some people who are heavily involved in work for the enterprise network. We must bear that in mind.

In response to Duncan's point, I had one concern about the assembly of the grid. I thought that the committee would benefit from seeing that done dispassionately, from an external perspective—through the Scottish Parliament's information centre, with additional support as its researchers are under a great deal of pressure. I will take into account the views of committee members, if they are concerned about that.

There is agreement, in principle, that we should go down this route, but that the tasks should be delegated to a smaller group to develop the proposal and bring recommendations back to the committee on how it should address the issue of an external adviser and how we should tackle the gathering of information on the assessment of existing provision. Is that agreed?

Members indicated agreement.

The Convener: I suggest that we make that a cross-party group, with one member from each party. I shall convene that group and represent the SNP, if the committee agrees. Can members suggest who else should be in that group?

Mr McNeil: Annabel Goldie, George Lyon and Allan Wilson.

The Convener: Does the committee agree to appoint Annabel Goldie, George Lyon, Allan Wilson and me to that group?

Members indicated agreement.

The Convener: Thank you.

Referrals

The Convener: We move on to item 3 on the agenda. I declare an interest in this item, as I have signed the petition on tuition fees. Nick Johnston should do likewise. The Public Petitions Committee has referred that petition to us. The issue is currently under discussion by the Cubie committee, on behalf of the Scottish Executive, and the recommendation is that we should forward this petition to that committee for its information. Does the committee agree?

Members indicated agreement.

The Convener: The next item of referral is the Educational Development, Research and Service (Scotland) Grant Regulations 1999 (SI 1999/65). The papers have been made available to committee members and the recommendation is that we have no particular comments for the Education, Culture and Sport committee, which is the lead committee on the matter.

Miss Goldie: I am curious to know to whom the grants were paid from 1946 to now.

Simon Watkins (Committee Clerk): I cannot answer that question directly. However, you can assume that the grants have been paid and that the order extends the Executive's ability to pay them.

Miss Goldie: I know that the grants have been paid, Simon, but where did they go? The order says that the Executive will now be permitted to issue grants to local authorities, all of which were previously barred from receiving them.

Simon Watkins: The assumption is that grants would previously have gone to third parties such as consultants. However, local authorities are now allowed to take on that role.

Miss Goldie: Do we know the amount of these grants a year?

Simon Watkins: No, but we can certainly find out.

Miss Goldie: I am not objecting to the recommendation, convener. I am just interested in the background.

The Convener: Simon will follow up your questions and will communicate the answers to the rest of the committee.

At this stage, I should say that a statutory instrument about the payment of loans to students has just been referred to this committee as the lead committee on the issue. The order will come before the committee at its next meeting, which is on 10 November.

The third item is a referral from the European Committee about the European Commission green paper on liability for defective products. The Scottish Executive's notes on the directive's contents have been made available to the committee. At this stage, as it is difficult to identify any particular component of the green paper that might be different in a Scottish context, it is proposed that no comments should be made to the European Committee.

Miss Goldie: I have one observation, convener. The green paper's proposal imposes an absolute liability on producers. A distinction might be made on that issue between the law of delict in Scotland

and the law of damages in England. The European Committee might want to take advice on that, as the proposals might fundamentally affect Scottish producers.

The Convener: We can certainly raise those issues for the European Committee to consider. Is that agreed? It is agreed.

Alba Centre, Livingston

The Convener: Agenda item 4 concerns a paper about a proposed visit to the Alba centre in Livingston. The paper says that in late September the committee had the opportunity to meet senior staff from Cadence Design Systems, in particular the chief executive Ray Bingham. Representatives of the Alba centre also attended the meeting. The meeting was very useful and was informative about the development of the initiative and the challenges that it faces in Scotland.

The meeting's participants were very open with the committee, which was very welcome. However, shortly after the meeting, a press comment about Cadence caused concern to everyone who had attended. The comment implied that there was a lack of commitment and support for the company in Scotland. I have certainly never detected such a lack. I have written to Ray Bingham on behalf of the committee to thank him and his colleagues for their contribution to the committee's work and to assure him of the committee's support for the Cadence project.

Notwithstanding those comments, we felt that the committee would benefit from a wider and deeper understanding of what is happening at the Alba centre and with the Cadence project in particular. We need the committee's approval to approach the conveners group to obtain that group's approval for a visit to the Alba centre. That will not be as elaborate an exercise as our meeting in Inverness, but we are required to seek approval for it from another part of the Parliament, which we will seek today.

12:45

George Lyon: I want to return to the issue that you raised, convener. The three members who were present at the briefing thought that it was one of the best that we have had as a small group. The participants were very frank with us and I hope that you made it clear in your letter that none of us was responsible for what appeared in the article in *The Herald* the following week. It would strike at the heart of the committee's credibility if any suspicion were to fall on committee members. It would also, dare I say, give companies and commercial organisations some cause for concern about engaging with us. We must make it clear that we had nothing whatever to do with the

remark that appeared in the paper.

Allan Wilson: I associate myself with George's remarks and with those of the convener. The briefing was probably the most interesting that I have attended in my short time in this establishment—I was going to call it an institution. It would be a worthwhile visit for those members of the committee who were unable to take up the previous opportunity of discussing issues that are important for the Scottish economy and for the local area. We should follow the recommendation and visit the Alba centre at the earliest opportunity. I hope that there will be no leaks arising from that visit to cause us embarrassment.

The Convener: I made the points raised by George and Allan to Ray Bingham in my correspondence. It is a fundamental principle that companies should be able to deal with this committee confidentially. I wanted to reassure him—and the wider audience—that that is how this committee operates.

The recommendation is agreed to; we will come back to this matter. The visit is likely to take place on a non-sitting day—that is, on a Monday or a Friday—but there will be consultation on dates.

Inquiry Topics

The Convener: Our final paper deals with future business. Two issues have been raised as potential further inquiry topics. We touched on one during our initial discussion of areas of investigation; the other issue cropped up in correspondence from members.

The Local Government Committee has put rating revaluation on to its agenda. The paper states that there is to be a hearing on 2 November at which evidence will be given by the Federation of Small Businesses, the Confederation of British Industry, the Executive and other organisations.

Simon Watkins: For information, the Local Government Committee met this morning and confirmed that it will deal with this matter by seeing those witnesses on 2 November. It will then consider whether it needs to hear from other witnesses and decide what steps to take. As the paper indicates, all members of this committee will receive papers for that meeting.

The Convener: Members may attend that meeting and make contributions, as David Davidson and Helen Eadie have done at this meeting. We will be in dialogue with the Local Government Committee to ensure that members' areas of interest can be pursued in that forum.

The second issue is differential petrol prices. I received correspondence from Annabel Goldie and Allan Wilson following a public meeting in Arran on 27 September at which concern was

expressed by representatives of the local community about differential pricing structures for petrol in rural areas. That serious issue was raised as a possible inquiry topic for this committee.

I spoke to Andy Kerr, the convener of the Transport and the Environment Committee, which has agreed five areas of early action, including petrol pricing and rural petrol prices. That committee is working on two areas of inquiry, one of which is an examination of telecommunications and mobile phone masts. I must remember to send that committee a letter that I received yesterday from a constituent about people using mobile phones on trains, although I do not know whether to confess that I am one of the guilty parties.

The second issue that the Transport and the Environment Committee is considering is concessionary transport. It expects to get to differential petrol prices early in the new year. We have to decide whether we want to do anything before that. I am keen for the committee to respect the sensible boundaries between the areas of specialism. However, Andy Kerr assured me that his committee will address the issue at that time and that the same arrangements that the Local Government Committee has put in place for rating revaluation—in terms of taking input from members of this committee—will be put in place by the Transport and the Environment Committee.

Allan Wilson: The fuel price escalator, tax and duty are important from a transport and environmental perspective. An aspect that we could consider is the differential, or the wholesale discount that the oil companies apply differently in urban and rural areas. That issue arose principally, although not exclusively, in an island community; differential petrol prices raise wider issues in the islands, as distinct from remote, rural or urban areas. If the Transport and the Environment Committee does not propose to do so, we should take on board that aspect of the inquiry and consider in detail, with the petrol companies, the specific issue of pricing policies. We should not duplicate the work of the Transport and the Environment Committee, but it is not clear what it intends to do.

Miss Goldie: Allan is absolutely right. The escalator is one part of the problem, but the more significant part, which was highlighted by people on Arran—although it applies to other remote communities—is that there is a furtiveness about other elements of pricing. It is unclear whether those elements arise from the oil distributors or from the oil suppliers, or whether they relate partly to transportation costs. At the meeting on Arran, Allan and I were certainly given to understand that an effective and impressive investigation had been initiated by the community there, but that people

had hit a wall and could not get answers to specific questions. I agree with Allan. That aspect may be outwith the remit of what the Transport and the Environment Committee proposes.

George Lyon: I want to back up what Annabel and Allan have said. First, predatory pricing, especially against independents, is a problem in the remoter areas. Secondly, the majors are withdrawing contracts from rural petrol stations; that is a big issue in the Highlands and Islands. The stations are being refused new contracts and are being told to find a dealer to supply them with petrol. Thirdly, there is the matter of how margins are calculated. In Bute, we have the ridiculous pricing policy whereby I can buy white diesel for our farm tanks more cheaply than my local garage can purchase it for retail sales.

If pricing is a separate matter that the Transport and the Environment Committee will not consider, we should be the lead committee on it. This is about competitive pricing and the abuse of monopoly powers. Our work would overlap with the Office of Fair Trading south of the border, so perhaps we should speak to it.

Miss Goldie: The issue of pricing strikes at the heart of the remoter communities' ability to have any enterprise base.

George Lyon: A further issue that I should have raised is the use of Shell and Esso agency cards, which used to be available if the petrol station was contracted to a major. People could use their card to get their petrol at the UK average price. I believe that that facility has been withdrawn in some places.

The Convener: I sense that members would be enthusiastic about asking questions about the specific issue of petrol pricing and about the points raised by Annabel, George and Allan. I shall ask the clerks to take steps to set that up as soon as it can conveniently be fitted into our work programme. We acknowledged at the outset that we would concentrate on the local economic development inquiry but that we would leave some opportunities to pursue other aspects. I shall keep in close touch with the convener of the Transport and the Environment Committee on the subject.

Mr Johnston: In view of my past life, convener, may I suggest that representatives of the Petrol Retailers Association, which is under the auspices of the Scottish Motor Trade Association, would be good witnesses? They have raised a lot of the issues that we are talking about and are concerned about margins in transport costs and about differential pricing. An independent witness may not want to stick his neck on the line for this committee, but the Petrol Retailers Association could give a collective view.

Mr McNeil: I would not dare to challenge Arran

united there—[*Laughter.*] A couple of meetings ago, when I raised the issue of semi-conductor manufacture, we agreed that it would be interesting to consider the fluctuations of that industry.

The Convener: I have written to the minister on the points that you raised, Duncan, and I await a reply. Once I receive it, I shall circulate copies to all members and we can build it into our future inquiry programme.

Mr McNeil: Should we wait for the reply? Given that we have been waiting for a couple of months, should not we proceed with identifying the bodies that we would want to invite along or that we would want to visit?

The Convener: We can certainly bring forward proposals to the committee on that.

Allan Wilson: The issue of petrol pricing in Arran arose and we have been clear about our desire to extend the discussion to cover all rural areas, so that island communities can all get petrol at the same price.

Semi-conductor production has a major impact on the Scottish economy and fluctuations in price and demand have a consequential effect. We should look at that in a wider context.

Dr Murray: I imagine that the Rural Affairs Committee will take a very strong interest in petrol pricing, as the issue affects the economies of rural areas and the travel costs of those who live in them. We have agreed to attend the Local Government Committee and make reciprocal arrangements.

The Convener: We shall take steps towards holding that inquiry on concerns about differential petrol pricing. We shall also bring forward some other proposals on the semi-conductor inquiry that Duncan McNeil has suggested. An invitation will be extended to members of the Rural Affairs Committee to take part in our discussions on petrol pricing.

I now close the meeting and thank members for their contributions.

Meeting closed at 12:58.

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