

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 10 November 1999
(Morning)

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CONTENTS

Wednesday 10 November 1999

	Col.
LOCAL ECONOMIC DEVELOPMENT	299
WORK PROGRAMME	349
SUBORDINATE LEGISLATION.....	351
INQUIRIES	352

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

7th 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)

WITNESSES:

Mr Peter Burdon (Glasgow Chamber of Commerce)

Liz Cameron (Paisley Chamber of Commerce)

Jim Cunningham (Renfrewshire Council)

Gerry Dowds (Forum of Private Business)

John Downie (Federation of Small Businesses)

Matthew Farrow (Confederation of British Industry, Scotland)

Mr Lex Gold (Scottish Chambers of Commerce)

Councillor David Hamilton (Convention of Scottish Local Authorities)

Councillor Mervyn Rolfe (Dundee City Council)

Time Stone (Convention of Scottish Local Authorities)

Gillian Thompson (Scottish Executive Enterprise and Lifelong Learning Department)

COMMITTEE CLERK:

Simon Watkins

SENIOR ASSISTANT CLERK:

David McLaren

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 10 November 1999

(Morning)

[THE CONVENER *opened the meeting at 10:04*]

The Convener (Mr John Swinney): Good morning. I welcome members to the seventh meeting of the Enterprise and Lifelong Learning Committee. We go between extremes in our accommodation—either we have to sit remarkably close to each other or remarkably far away from each other. Once the meeting is concluded and the official report is safely away, you can all tell the clerk how you feel about meeting in the chamber.

Local Economic Development

The Convener: We will hear from three groups of witnesses: business organisations, the Convention of Scottish Local Authorities and the Scottish Chambers of Commerce. I invite members to tell me whether there are particular areas on which they will wish to concentrate in questioning.

Miss Annabel Goldie (West of Scotland) (Con): I would like to ask witnesses about their perception of overlap in the provision of services.

The Convener: Is that primarily for the business panel?

Miss Goldie: Yes.

George Lyon (Argyll and Bute) (LD): I would like to pursue that line of questioning as well.

Allan Wilson (Cunninghame North) (Lab): As ever, I am interested in best practice and benchmarking.

Ms Margo MacDonald (Lothians) (SNP): I am interested in those areas as well as in any suggestions that folk might have.

Mr David Davidson (North-East Scotland) (Con): I am interested in the work of the chambers and in the issue of overlap.

The Convener: I suspect that the issue of overlap will dominate our line of questioning, so I will spread responsibility for asking questions on that subject around members.

I welcome the first group of witnesses. We have described them in our paper as a business panel. I detected at our last meeting that members were very interested in hearing from the users of

services, in addition to the providers of services, from whom we have heard a great deal. This is the first step in doing that.

The witnesses are John Downie from the Federation of Small Businesses, Matthew Farrow of the Confederation of British Industry and Gerry Dowds from the Forum of Private Business. I invite each of them to give, briefly, their perspective on the issues with which the committee is wrestling, and any other introductory remarks, before we move on to direct questioning.

John Downie (Federation of Small Businesses): I am the parliamentary officer for the Federation of Small Businesses. We represent 13,500 small businesses in Scotland, from all sectors: manufacturing, retail, service, and professional services. The federation's views on Scottish Enterprise are reasonably well known. We do not believe that it is providing consistent delivery of performance for small businesses. I am sure that the enterprise agencies have all told you how good a job they do, and that their customer satisfaction ratings are at 80 per cent. Frankly, I do not believe that. Their performance is not developing the Scottish economy.

Tomorrow the federation will release a survey, part of which will deal with the enterprise network. Almost half—48 per cent—of the members whom we surveyed said that the enterprise network has no effect on the development of their businesses. The survey will form part of our written submission to the committee. The feeling is that there is confusion and duplication throughout the network, and that the enterprise network needs to be radically streamlined.

Our other big concern is that Scottish Enterprise and the Scottish Executive are, at times, working in two separate areas. We are concerned about the priorities of the Executive in relation to those of Scottish Enterprise.

Matthew Farrow (Confederation of British Industry Scotland): Good morning. The Confederation of British Industry Scotland represents about 25,000 companies across Scotland covering all sectors of the economy. We represent companies both as direct members and through trade associations—about 60 trade associations in Scotland are members of the CBI. As we have no vested interest in the local economic development system, we do not provide formalised economic development services. We do some work around benchmarking for our members and hold best practice seminars, but we do not have a role in the economic development system.

My main opening point is that I receive variable feedback from our members on the effectiveness of economic development agencies. That

feedback varies by size of business, sector and type of business. Traditional small and medium enterprises tend to be more antagonistic, oddly enough, than the more modern, high-tech companies. It also varies by involvement: those companies that have some involvement in the system and that work with it tend to be more positive than those who have not had that involvement. I am happy to talk about that feedback in more detail.

We do not have a detailed blueprint for the reform of the system. As the thrust of its inquiry, the committee is right to ask whether there is an overlap and to put the onus of proof on the system to demonstrate that there is none. Clearly, too many bodies are involved in the system. Many were established for historical reasons, which is understandable, but, once they become involved in an activity, they have their own vested interests and agenda and it becomes difficult to try to rationalise the system.

There are advantages in involving a wide array of bodies in economic development. For example, it is hard to reach the SME market. Many SMEs in Scotland will not join John's organisation, Gerry's organisation or my organisation or chambers of commerce. However, so many bodies are involved that there must be an overlap in the system.

The system's strength is that it is fairly stable. In the past, we have undertaken surveys of members across the UK, seeking their views of local economic development services. Scottish companies tend to rate the Scottish system higher than the English system; one of the biggest complaints from members in England is that the system changes all the time. Part of our evidence to the small business services consultation exercise was that it would produce just another change in England. We need to be cautious if we are to change the Scottish system.

It is fair to say that efforts have been made within the system to try to make it work better. I know that the Convention of Scottish Local Authorities, the chambers of commerce and Scottish Enterprise have tried to make the local bodies work better together. I get a sense from CBI members that local enterprise companies have made efforts to make themselves more accessible to SMEs and to reduce jargon and bureaucracy where they can. However, given that the system involves semi-autonomous local agencies, one is bound to get bureaucracy and conflicting priorities. We should be asking whether we are reaching the end of the improvements that can be made to an organic system, whether we want to make a more fundamental change or whether there is a danger of upsetting the system's stability.

Gerry Dowds (Forum of Private Business):

Good morning. It is good to be here. The Forum of Private Business in Scotland has 2,229 members as of last Friday, who represent small and medium companies. I stress that it is the Forum of Private Business, not the forum of small business.

The information that I present today by way of answers to questions will be based on the results of member surveys, which we conduct on a regular basis. We are a membership-based and survey-based organisation. We visit our members' premises every year to conduct a comprehensive survey. We also conduct postal surveys on specific sectoral issues and on generic business issues.

There are five or six issues that I would encourage the committee to consider in addition to those issues that members have identified.

First, as Matthew and John said, there is a range of organisations that interface with SMEs. We encourage the committee to examine those that provide specific information, such as the Advisory, Conciliation and Arbitration Service, the Health and Safety Executive and the Contributions Agency, which target information for SMEs better than other agencies. Other organisations, such as the LECs and chambers of commerce, attempt to answer all questions on all subjects, which, with the greatest of respect, is a very big challenge. The one adviser that SMEs use most often, however, is their accountant. SMEs use their accountants ten times more than they use all the other organisations put together and we should remember that when we talk about overlap. SMEs trust their accountants.

10:15

The quality of information that people present relates directly to the usage of that advice. If the committee is interested, I can supply quotes from people talking about the quality of the various services in Scotland. It is easy to be overly critical of the LECs. The problem is that LECs do not understand how SMEs operate. They attempt to impose big business practices on small firms. As a result of that, SMEs do not use them as much as they should.

The Convener: Could you wind up, Gerry.

Gerry Dowds: The latest surveys, done in 1999, show that the LECs are getting better. The future of the LECs, however, depends on their getting to grips with how SMEs operate.

The Convener: Thanks for those comments.

The three representatives told us that there is congestion in the delivery mechanisms but that the mechanisms are getting better. The committee is interested in considering the solutions to the problems of congestion, overlap and duplication.

What do you think the solutions are and what areas should the committee tackle?

John Downie: We have to have a clear economic decision-making process. Policy-making powers should lie with the Scottish Executive and the Parliament. Scottish Enterprise and the industry department should design the implementation strategy and there should be a local economic delivery system. The problem at a local level is that there are too many agencies. Glasgow illustrates that well. We have the Glasgow Development Agency, Glasgow Opportunities, the main enterprise trust, and another eight local enterprise agencies: Glasgow North, Govan Initiative, Gorbals Initiative and so on. That causes confusion and a lack of consistency.

The Convener: Do you think that it would be better if those organisations were drawn closer together under one effective development agency and did not have as much autonomy?

John Downie: There has to be delivery in Glasgow North and Govan, but having competing agencies is a problem. Local partnerships are good, but they are part of the problem.

The Convener: Is the delivery of the strategy hindered by the number of organisations? As I understand it, there are contractual relationships between the delivery mechanisms and local enterprise company funders. Those contracts should specify what is to be delivered.

John Downie: The Glasgow Development Agency has one person who deals with the smaller enterprise agencies. He has to negotiate contracts and set standards. However, we think that those agencies should be part of the Glasgow Development Agency. They do not all have to be separate agencies, with separate boards, separate chief executives and separate finance directors. We are adding to the bureaucracy every year. The Glasgow Development Agency should set the standards for their people to deliver locally. That should be the model throughout the country.

Ms MacDonald: Good morning, gentlemen. John, do you agree with Gerry Dowds that the LECs do not understand small business? Is that unanimous?

John Downie: I do not think that the LECs have a small business policy.

Ms MacDonald: Do the myriad organisations in Glasgow that you described understand small business?

John Downie: Some do, some do not. Some perform better than others.

Ms MacDonald: If we are going to rationalise arrangements so that there is one service delivery

agency—or one agency that ensures consistent service—which agency should that be, given that the LECs do not understand small business?

John Downie: As Matthew said, we have a fairly stable structure, but it needs to be improved. We are not going to replace the whole structure.

The Convener: Who is best placed to deliver that?

John Downie: We want improvements to the system. I do not think that we want to change the current system.

Allan Wilson: If we do not have a single agency, what is the preferred unit of delivery?

Gerry Dowds: That is a fundamental issue. There are 33 major internal issues that SMEs have to tackle or they will go bust. There are probably 400 to 500 things that they need to tackle on a weekly basis. There are also regulatory and legislative external issues that they must tackle. The idea that a LEC, or any other single agency, could understand all that and deliver it to local companies is a fallacy; it is mission impossible. It would be far better to consider giving LECs or another government-funded agency the role of signposting businesses towards people or agencies who can deal with the specifics. There is no point pretending that there are people who are always expert on all forms of business.

England is a disaster in those terms, because the business links were taken a step further. It has proven that such links are dead. It is a bomb with a long fuse that is going to go phut. We must recognise that point.

Miss Goldie: Matthew, can I ask you to expand and answer your own question. You asked whether we are reaching the end of an organic system. Can you answer that?

Matthew Farrow: I was hoping that the committee's inquiry would give us an answer to that.

On the point about rationalising the system—it does not make sense to have a multiplicity of bodies—we should recognise that the bodies have grown up for historical reasons. There is always a temptation to consider the system on paper and think that the strategy cannot be delivered through all those different bodies. There are two problems. If there are many competing bodies, it is hard to get across market messages. As Gerry was saying, although we want to tell SMEs that there is one helpline and one point of contact, the fact that there are several different bodies will make that very difficult.

The other problem that occurs when there are different bodies using public funds going through different routes is one of order requirements. I

have talked to companies and trade associations that deal with the economic development bodies and the LEC network and they say that the situation is awful. For example, they try to contract four modern apprenticeships across Scotland and they have to have different contracts for every LEC, which involves a lot of auditing. It is not enough to say that it is wrong to have lots of different bodies and to reduce it to one body. One has to be able to show that one can get around the problems of sending out a clear market message to the SME sector.

I would not be so harsh in my criticisms of the LECs. No economic development agency will be seen by SMEs as understanding their needs. That is a fact of life. I find that most of our very small members are antagonistic. It is a cultural difference. I was talking to a trade association member about that and he said that the problem was that his members see such agencies as the laptop brigade. They come along with some analysis. I have had fairly good reports of LEC staff from companies that work with them. LECs are as well placed as they can be to understand SMEs. Every SME and every situation is different. Gerry is right to say that part of the answer is to leverage in private sector expertise.

The final point is that we are reaching the end of the organic system. We must recognise that there needs to be a balance between central control and local delivery. If one goes too far towards centralisation, it is hard to engage local businesses on LEC boards, for example, because they feel that they cannot do anything—there is no discretion. If one goes the other way and there is too much local autonomy, there is a lot of variability. It is impossible not to have variability in a system with different bodies. There is a bit further to go, but there is a risk in fundamental change.

Miss Goldie: I want to follow up on what Gerry Dowds said about the fact that his members most commonly resort to their chartered accountants. Can you expand on that? Do you know how the CAs interface with the existing system? Presumably they are the conduit through which the client gets help.

Gerry Dowds: There are three broad areas into which every issue fits with which any small business must contend. First, they must deal with administration, which they are not bad at. Secondly, they must deal with sales and marketing. They are not bad at marketing their goods in existing markets, but they are poor at marketing new goods and services in new markets. Thirdly, small businesses must deal with the financial management of their organisation. On a scale of one to 10, most SMEs would score about minus four. Financial management is a

primary need, so small businesses must get help from an expert. That is why they turn to their accountants, who are clearly the best placed to help.

The plan to raise the audit threshold from £350,000 to more than £1 million is good news, because it will allow accountants to concentrate less on silly audits that are unnecessary for companies where the shareholders, employees and managers are the same people, and to spend more time on producing good management information. Small businesses turn to their accountants simply because there is a great need to do so. Small businesses will not waste their time phoning people if they do not have to. They will phone only when they need to.

Miss Goldie: I am still not clear where the accountants come in. Presumably they interface with the existing agencies. What we want to establish is whether your members do not bother to deal with the existing agencies because they short-circuit the system by going to their accountants.

Gerry Dowds: Yes, but the Federation of Small Businesses, CBI Scotland and the Forum of Private Business provide services to their members if they have particular problems. Therefore, the accountant, like us, can act as a signpost—he may also be a deliverer—but, in the main, he will not tend to put people in touch with a LEC. That is simply because, according to anecdotal evidence—this is not the view of Forum of Private Business members—most accountants do not value the role of the LECs, because they see them as generalists, not specific deliverers. Accountants tend to try to resolve more than just financial matters. If a business has a problem finding premises, the accountant will put the business in touch with a local chartered surveyor. As Matthew Farrow said, accountants tend to use other private deliverers to deliver a specific target.

George Lyon: We have two perspectives: that of the big companies, represented by the CBI, whose witness seems to think that, in general, businesses' engagement with the LECs is not too bad; and that of the small business sector, represented by the Federation of Small Businesses, which says that there needs to be a radical overhaul because there is confusion and duplication and, as Gerry says, the local enterprise network does not understand small businesses. I would like to explore that in more detail.

First, how many businesses engage regularly with the enterprise network each year? Scottish Enterprise has told us that each year it helps 20 per cent of business start-ups. The figure was lower in the Highlands and Islands; the local enterprise company there says it helps around 10 per cent of business start-ups, although, if I

remember correctly, there was confusion about the figure.

Secondly, saying LECs do not understand small businesses and their needs is a sweeping statement. Can you define what they do not understand? Where are they failing?

Thirdly, do you have examples of agencies that need to be slimmed down and amalgamated? Which agencies that understand small businesses and deliver a valuable service should the committee examine? Where is the best practice?

I want you to explore those three or four easy questions.

10:30

The Convener: There were three questions. I have even written them down, just to make sure you get answers, George.

John Downie: To be honest, it would take all day to answer George's questions.

Out of our 13,500 members, we had 2,000 replies to our survey, the results of which we are releasing tomorrow. That is 57 per cent of the membership that deal with the LEC network in some shape or form, whether through phoning up for information or advice or through applying for grants. Those members saw a big business bias. Although the LEC network has improved since its introduction, at the start there was a tendency towards Reaganomics—the idea that helping big business would benefit the small business sector through a trickle-down effect. That has changed and some of the LECs have now shifted their priorities to the small business sector.

I do not think that LECs understand how a small business operates. We could all give examples of what happens when companies apply for grants. By the time a decision has been made, the paperwork completed and the money approved, the business opportunity has already passed. The same applies to applications for regional selective assistance to local authorities and the Scottish Executive. We understand that, where public money is concerned, systems have to be in place; however, that is a small example of how LECs do not understand small businesses.

Last week, I spoke to the accountant of a well-known furniture manufacturer. The company has stopped applying for grants because the process is simply too much hassle and, by the time the money has been received, the opportunity has disappeared. Companies could do with the money, but the process does not benefit them.

George Lyon: Could you quantify the time scale for that process?

John Downie: Although the process is being

streamlined down to six weeks, a decision can take as long as 12 weeks. It all depends on how the local agency responds and performs. Some of the smaller LECs can make a decision much quicker than some of the larger LECs. There are variables within the system.

The Convener: Are there any other areas where there is a poor understanding of SMEs?

John Downie: The decision-making process in small businesses is very different from that in large businesses. The LECs do not understand how small businesses operate—how they make decisions, how they break into new markets, how they move their businesses forward. It is a different way of thinking, which makes the issue more educational than functional.

The Convener: George's final question was about the agencies that should be slimmed out of the picture.

John Downie: The federation wants a merger of the LECs' local economic development function, the local authorities and the area tourist boards, to create one strong body that deals with every part of the Scottish economy. At the moment, tourism is out of the economic development loop.

The Convener: What about enterprise trusts?

John Downie: There is a role for enterprise trusts.

George Lyon: I do not think that that is answering the question. Which organisations can the committee examine for best practice in the small business sector? I want you to name them.

John Downie: The convener mentioned enterprise trusts, some of which are very good.

George Lyon: Well, which ones?

John Downie: I do not have a list of the good and the bad with me. However, I can provide you with our view about which trusts and LECs are performing well. I am happy to put that information in our written submission.

The Convener: I will put George's three questions to Matthew and Gerry for brief answers.

Matthew Farrow: This is not a big company v small company issue. Our bigger members have raised concerns about the enterprise network. The big utilities say that they should be more involved in economic development and strategy.

Scottish Power, for example, feels that the system should involve it more. When large companies or trade associations try to contract across the system, they complain about the number of different bodies they have to deal with. It is not a big company v small company view.

CBI Scotland's view is a little different from that

of my colleagues because our membership is more mixed. We represent not only small firms, and we try to take a balanced view. Our smaller members tend to be sceptical—but are they always right?

The small companies that interact with the LECs tend to be more positive. If economic development agencies intervene in local economies and they say that a certain strategy is right for a region or area, they will be working with some companies and not with others.

The retail sector tends to be fairly negative, because Scottish Enterprise views retail as a displacement activity. Smaller companies in particular will always be unhappy with the system, but that does not always mean that the system is not working in the best way.

If there is a lack of understanding, it is difficult for LECs, whose *raison d'être* is to do things to intervene and to be seen to be active. They often forget that economic growth comes from individual companies; individual entrepreneurs need three things: time to concentrate on the fundamentals of their business; money, more in terms of cash flow than in terms of grants; and stability in the regulatory environment. Those three things make up the sort of environment that should be created.

LECs often feel that they ought to be doing things—the laptop brigade I was talking about earlier—which is where the lack of communications comes in: it is not because of some fundamental misunderstanding of what small businesses are about.

I do not have data on the proportion of our members actively involved with LECs. We have not done a survey on that, and it would be hard to calculate. We would have to decide if we were talking about a company which had rung a LEC and got advice, as opposed to a company that was contracted to deliver training, for example.

The inquiry should examine how local authorities and LECs interact, although I know that COSLA and Scottish Enterprise have tried to improve that interaction at a local level. The problem is that our members see LECs as being in the driving seat—they should be in the driving seat for economic development. Local authorities are wrapped up in many issues, including community issues and planning, that will have an impact on development. It is difficult to see how those matters may be easily resolved—that is something to consider.

I notice that this committee's remit covers further education colleges and lifelong learning. It is worth taking them into consideration. We get fairly mixed views about FE colleges. They have big fixed costs and find it hard to adapt to changes in the labour market.

I suspect that, with the university for industry and individual learning accounts coming on-stream over the next year or so, there may be a big win. There may, for once, be a chance to make reality out the rhetoric of lifelong learning. Our members say that it is all rhetoric at the moment, but there is a chance, over the next couple of years, to build the university for industry, ILAs and FE colleges together, and have a much more customer-driven learning system. That would be a big achievement.

Gerry Dowds: I will go straight to our most recent quarterly survey on the use of LECs for business support. Twenty-two per cent of our membership have used LECs in the last year; 30 per cent used them more than a year ago; and 48 per cent have never used them.

We did a similar survey in 1995. There was a 38 per cent usage. That has risen to 52 per cent overall among our membership over a four-year period. When we asked about "Reasons for LEC use" we got some quite interesting answers. Thirty-one per cent said, "Training assistance"; 16 per cent said, "employment assistance"; 12 per cent said, "Start Up"; 9 per cent said, "Grants"; 9 per cent said, "Quality Standards".

That deals with a small part of the 33 issues that I mentioned earlier. Notice that nobody goes to LECs for sales and marketing advice; nobody goes to them for financial advice; nobody goes to them for advice on how to manage and develop their business—fascinating.

The fourth question was:

"Reason for Non LEC use".

Fifty-seven per cent replied:

"not relevant to their business".

That reply came mainly from service and retail. As members know, anecdotal evidence says that people in the service or retail sectors tend not to get help from a LEC.

Twenty-one per cent of respondents said that they had

"No perceived reason for using LEC services".

I would say that that is an awareness issue. Seventeen per cent said that they had

"No knowledge/information on what LEC does",

and 9 per cent said that LECs were "Slow + bureaucratic". That gives a flavour of the survey.

What do LECs not understand? That is a wonderful question, because everything hinges on it: if we cannot identify what LECs do not understand, we cannot throw rocks at them.

The first thing they do not understand is that business owners make decisions not on the basis

of the type of business they are, but depending on the stage of growth they are at. If growth is static, they will not take on new employees unless they are encouraged to do so. There is a tendency to think that because someone is a retailer, they will want a certain thing.

Secondly, there are three different styles of SME owners. Only a small fraction of business owners are entrepreneurs, but some LECs think they all are. There are also business owners who are in business to make profits, and people with an employee mentality who happen to run a business, which they may have inherited from their father, got by default or bought with redundancy payments.

The third thing that the LECs need to understand is that business owners have different styles. Some of them delegate a lot, but some do not delegate at all and are very autocratic. Business owners manage their businesses in four or five different ways.

On countless occasions, I have heard a LEC tell business owners to go on a Dun & Bradstreet training course to understand credit management, when they do not have a list of aged debtors or creditors. Businesses need better information.

The Convener: George made a very helpful point about agencies. Could you address that?

Gerry Dowds: I strongly encourage you to examine the telephone advice service that the Advisory, Conciliation and Arbitration Service provides, which is probably the best in the UK. I have just returned to Scotland after having lived in England for 16 years; ACAS is marvellous. It falls down in one area—it does not give advice, but information, and the business owner has to decide how to act on that information. However, its information is excellent. The Contributions Agency and the Board of Customs and Excise are also quite good, but those are specialist agencies.

If I may blow my own organisation's trumpet, I strongly recommend that you look at how we handle our members' concerns. A lady called Jane Davies does a marvellous job. I will return to that when we come to discuss best practice.

The Convener: We would welcome any survey information on business attitudes towards these services. We will come on to that later, but we want to get feedback from real people who are the recipients and users of the services.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I am one of those real people.

The Convener: Before Fergus continues, Annabel has asked me to make clear that we would welcome a copy of the survey to which Gerry Dowds referred and the one the FSB is publishing.

Gerry Dowds: I have given copies to the clerk for distribution after the meeting.

Fergus Ewing: It occurs to me that I am a real person, because I am one of the people who contributes to the regular forum surveys. At the risk of boring committee members, I should repeat that I am a member of the Forum of Private Business, the Federation of Small Businesses and the Scottish Council Development and Industry, which may have views on this topic that it wants to put to the committee at a future date. I see that the council is represented here today in the shape of Alan Wilson.

I will confine my remarks to the CBI representative, Mr Farrow. I had always thought that the CBI represented big business. Mr Lyon made similar comments to that effect. You said that you have 25,000 members. I think the committee ought to be clear about exactly who the CBI represents. Will you tell us, either this morning or at some future date, what proportion of your membership is made up of small businesses, how you define a small business, and how many small businesses you represent? That will give us a clear picture of who you are speaking for in giving your evidence.

10:45

Matthew Farrow: I will comment briefly now and will be happy to follow up in writing. We have members that join the CBI direct and members that join trade associations that join the CBI. We calculate, according to figures that are a couple of years old now, that about 26,000 companies are members of those organisations. Larger companies tend to join direct, and smaller, growing SMEs tend to join trade associations that are members of the CBI.

I do not have a detailed breakdown, because not all the trade associations are able to give us membership figures on a regular basis. Of the 26,000 companies that are members of trade associations, I estimate that about 24,000 are firms with fewer than 50 employees, and the rest are larger companies. I can certainly follow up your question in writing with more detail.

Fergus Ewing: That would be helpful.

We have had fairly specific proposals from the other two business organisations about how they think the enterprise network should be reformed to make it more effective. In your opening remarks, you expressed criticisms about duplication, but we have not heard any specific proposals from the CBI. This is your opportunity to provide specific proposals. I suggest that you take the advice that Mrs Thatcher used to give to her advisers: "Don't bring me problems; bring me solutions."

Matthew Farrow: We do not have a blueprint for reform because we tend to concentrate on issues that members identify to us as problems. A lot of our work at the moment is therefore about the transport system and the climate change levy. Yesterday, the Government accepted some of our arguments about those.

Although we pick up a variety of comments from our members, we have not had a lot of members complaining to us about the enterprise network system or saying that it is a complete disaster and is not working. It is just one of the issues that we are considering. From the evidence that I have heard from our members, I do not think that we have enough information to say what ought to be done. Because of the committee's inquiry, however, it is a matter that we are considering carefully.

Fergus Ewing: I am glad that you are now beginning to consider the matter carefully. I recall that you said earlier that you have carried out no survey of your members' views and that you tend to wait until members approach you. Do you plan to consult your members before coming back to us with specific proposals or suggestions for our local economic development inquiry?

Matthew Farrow: We do two things. We talk to our members on a continuing basis about a range of issues. I could give the committee details of their comments if that would be of interest. I am not sure that a survey would enable us to conclude that enterprise bodies do not work or to say how the system should change. It is useful to get data from firms on the ground, but one also needs to examine the funding systems and the way in which decisions are made. That has to be done by examining the bodies themselves. We try to do that, and I would be interested to see what the committee will conclude.

Saying simply that 80 per cent of our members have a certain experience is not a good basis on which to propose a change to the system. That is why the CBI uses surveys to get background data on economic conditions and broad priorities. We then use our committee systems to look in detail at issues that affect businesses and at the way in which we can make a difference. As I said, we have done a huge amount of work on the climate change levy. If the committee were considering that, I could provide reams of data on how different sectors are affected, because our members, large and small, approached us to tell us that it was a threat to their businesses and to ask the CBI to do something about it.

Marilyn Livingstone (Kirkcaldy) (Lab): We heard from Gerry Dowds that a third of the CBI's members consult local enterprise companies on training issues, and Matthew mentioned bureaucracy and the different payments for

modern apprenticeships. I want to pursue the matter of lifelong learning and skills development in SMEs. What is your opinion of the support given to SMEs with regard to work-based training? What bureaucracy surrounds it and does support vary from LEC to LEC?

The Convener: Gerry, can you keep your answer brief. I need to wrap up this part of the session in 10 minutes.

Gerry Dowds: Although I cannot answer the second part of the question as I do not have any data on the attitudinal and qualitative aspects of training, I can give you information on how SMEs deliver training into their businesses. We have asked our members about the principal method of training.

In Scotland, 41 per cent of our members receive exclusively on-the-job training, which compares with a UK figure of 57 per cent. The Scottish figure for on-the-job training supported by an external course is 58 per cent, compared with 43 per cent in the UK. That shows that Scotland is more committed than England to training within SMEs.

We have asked what external training sources were used. At 32 per cent, trade schemes come first in Scotland, followed by day release schemes and modern apprenticeships at 26 per cent each and LEC courses at 21 per cent. Forty-seven per cent of our members claimed to have a defined training policy, compared with a UK figure of 36 per cent. There is an impression that people are trying to come to terms with their training needs.

Furthermore, we asked about the main function of training. In Scotland, 75 per cent of members said that training's main function was to develop special skills, compared with 63 per cent in the UK, which reflects much of what is happening in enterprise in Scotland. Twenty-three per cent said that the main function was to develop general skills, compared with a UK figure of 31 per cent; and 2 per cent said that the main function was personal development, compared with 5 per cent in the UK.

In summary, SMEs in Scotland are committed to training, but I cannot provide qualitative and attitudinal data about service delivery.

Matthew Farrow: Gerry is right to say that SMEs provide more training than they are given credit for. Although there is a perception that small businesses do not train very much, our evidence suggests that much training in small businesses is informal and on the job. Small businesses are very good places to pick up employability skills. However, the labour force survey data do not highlight the amount of training that goes on in SMEs.

Good network support is variable because small

businesses are more constrained by time and availability of staff than by cash. It is difficult for outside agencies to make a big difference in that respect. There are also difficulties with the auditing and contracting arrangements for schemes such as youth training and modern apprenticeships. The university for industry and individual learning accounts might provide an answer, because if they work well—which remains to be seen—they could make it easier for some small firms to offer training to their staff. However, the question is whether firms will regard an employee with an ILA as someone who is committed to training, who will then be encouraged to make contributions to that training; or whether firms will take no interest whatsoever.

Bodies such as ours will have to work with members on the UFI and ILAs. The UFI has to get right some tricky operational aspects. For example, there are proposals for making the UFI partly self-funding through its endorsement of products. Many small firms might then think that the UFI will endorse any open learning product just to get some money, which will make them distrust the quality of the product. However, in principle, the UFI and ILAs could be part of the answer.

The Convener: Do you have anything to add, John?

John Downie: Small businesses overwhelmingly favour on-the-job training and modern apprenticeships are taking the same approach.

Marilyn Livingstone: Do LECs provide good support for work-based training? How variable is such support?

John Downie: I have no definitive data relating to that. As Matthew said, there is variation among further education colleges regarding how they work with LECs to provide training, which seems to be supply-led, rather than demand-led. That is a problem that we have with the training and education system. Colleges have come up with great schemes, but businesses do not require those schemes; they require specific skills to be taught for a task or role. Provision of training must be led by demand from businesses. That issue has not been addressed.

The Convener: So, there is a question about demand-led training.

George Lyon: Does Mr Downie think that a university for industry will solve that problem? My understanding is that the university for industry concept should deal with that issue.

John Downie: As Matthew said, it is too early to say. We hope that that will be the case. We are glad to see that Frank Pignatelli—who has a good

private and public sector background—is to be chief executive of the university because he recognises the requirements of the private sector.

Ms MacDonald: How do you see the university for industry working?

John Downie: That would take a long time to answer—I do not think that I could do that in a couple of sentences.

Ms MacDonald: How is the gap to be bridged?

The Convener: That is something that we can come back to.

John Downie: We are working to ensure that we have a small business perspective so that the gap that George mentioned is filled. We are also working to ensure that training provision is led by demand.

Mr Nick Johnston (Mid Scotland and Fife) (Con): John, in your preamble you said that SE and the industry department are working in different directions. Do Gerry Dowds and Matthew Farrow follow that view?

A pattern is emerging in the evidence that we have heard—a pattern that suggests that LECs are reactive rather than proactive organisations. Have companies a duty to suggest schemes to the LECs and to try to secure funding for the schemes? I ask that particularly in relation to training. When I visited a fairly large employer in Fife the other day, I asked how it interfaced with Fife Enterprise. Its response was that, at the moment, it does not, because it has not suggested any schemes to Fife Enterprise. Should we be looking at industry and commerce rather than blaming LECs for all the problems? Are people engaging with LECs in the correct fashion?

John Downie: There is a lot of input from business organisations to the LEC network, whether through LEC board membership or through involvement in strategy groups.

I am concerned about priorities. I will give you an example. The Scottish Executive has set up the Scottish manufacturing steering group and Charlie Woods—director of strategy at SE—is in that group of 26. The CBI and other more specific trade associations are also represented. The steering group has split into smaller groups to deal with issues such as the business environment and productivity and competitiveness and I believe that SE should be represented on all of those groups. SE already has its own manufacturing strategy in place, in a sense, so I wonder how seriously it will take the Scottish Executive's manufacturing strategy, which the minister is committed to.

Others and I have had feedback from different levels that indicates that businesses do not feel that they share the Scottish Executive's priorities.

Matthew Farrow: I do not think that there is a philosophical difference between the approaches of Scottish Enterprise and the Scottish Executive. I have not detected a fundamental disagreement, but I agree with John Downie's point about the manufacturing strategy. The Executive and ministers are under pressure to be seen to be doing things—they must roll out initiatives such as the manufacturing strategy irrespective of whether they fit with what SE does, so there is a problem in that.

Small businesses who know how to work the system—not trade associations—tend to do better because they find it easier to find the right person to contact for grants. That encourages those companies to play a greater part. I do not think that the problems are fundamentally the fault of businesses for not coming forward with schemes. There are funded agencies in place that exist to develop the economy.

Some of our farming members would say that their objection is that, traditionally, farmers have been seen as a separate entity—that there is special farming policy that has nothing to do with LECs. However, in some parts of the country, small farms are a key part of the economic infrastructure, a key skills pool, and a sector with which LECs could do a lot more work. I do not agree that it is the fault of businesses.

11:00

Gerry Dowds: That is fundamental to securing long-term growth in the Scottish economy through SMEs. A major piece of the jigsaw is missing. It cannot be right that you rely on us for data on SMEs' attitudes to how others interface with them. We collect data because our members pay us to do that.

A proper research institute is needed in Scotland to examine what is happening with SMEs. It should be based in a Scottish university. We, as membership organisations, should be duty bound to help to ensure that businesses' attitudes to the way in which they are affected by Government policy are accessed.

We know that 70 per cent of SMEs in Scotland are static at the moment. There is no point to trying to find new employees for businesses if those businesses are not encouraged to grow. One has to ask people why they do not want their businesses to grow—we know that 80 per cent of SMEs want to grow, but there are constraints. Instead of using anecdotal information, or—dare I say—even using the Federation of Small Businesses, the CBI, or the Forum of Private Business, we have to make sure that we know exactly what the problems are. We will not produce solutions unless we can jump up and

down on that understanding.

Businesses have a duty to ask for schemes to help their businesses. However, we know that 85 per cent to 90 per cent of the needs of small and medium businesses are readily understood. Therefore, it should not be beyond us to construct delivery mechanisms and content that match what they need. Most SMEs need a lot. They must be given a little of what they want, and a lot of what they need. It is just a matter of using the research to do that.

Mr Davidson: Earlier, all the members of the panel talked about issues such as how many people did not know where to ask for advice. Somebody said that not all firms are members of bodies such as yours. Do you agree that there should be a centrally controlled and funded network of business shops, or some other contact point, to act as a filter and to point people in different directions?

John Downie: I thought that we already had such a network in the business shops.

Mr Davidson: Are you satisfied that that network does everything?

John Downie: I am not satisfied that the business shop network is working as effectively as it should. I do not know how many calls the business shops receive, but the network should do what you said.

Mr Davidson: There is competition in delivery in that field.

The Convener: Is that not the fundamental point? The concept behind the business shops or the Scottish university for industry is that they should be a contact mechanism whereby an inquirer accesses focused information on the services that are available from the multiplicity of organisations. The central question is whether that is provided and whether it is accessible.

John Downie: The number of agencies in Glasgow was mentioned earlier—on commercial radio stations, one can hear each agency advertising its own telephone number. The idea was that one business shop number would be advertised to businesses—they could phone that number and automatically be connected to their local agency. Now we have agencies competing with one another for people to phone them. The number of calls to the business shop number has increased over the years, but I have not read any report on effectiveness.

I have a copy of a 15-page document that lists current Scottish Executive initiatives for business, but does not list the initiatives of Highlands and Islands Enterprise or Scottish Enterprise. Even for someone in the business shop, there is much information to assimilate in order to find the right

information. There are major problems with the number of initiatives.

Allan Wilson: I am interested in the identification of best practice and its replication where applicable. We seem to be getting to the nub of the matter, which is delivery mechanisms. I mean no disrespect to John Downie or Matthew Farrow, but the arguments with regard to your organisations' perspectives have been well played out. Gerry Dowds has introduced another element into the discussion, which it would be interesting to explore further. A diverse range of business advice is available on such subjects as the Advisory, Conciliation and Arbitration Service, Customs and Excise and accountancy. We have not heard open evidence on that, but we have received submissions.

That introduces an important element to the argument. Is it your argument that there need not be contraction or rationalisation, but that there should be better delineation among agencies and their areas of expertise? Should there be better signposting towards such agencies, to direct consumers towards service providers? Is there a single delivery mechanism that might deliver that?

Gerry Dowds: That is vital. You are going down the right track towards a solution. There will be no single organisation, no matter how locally based, that can do everything that Scottish Enterprise is trying to do. It is mission impossible—doubly mission impossible when fundamentally it does not understand the needs of SMEs. I want Scottish Enterprise to prove that it understands their needs, because to date it has demonstrated that it does not.

The solution that falls out of the identified training needs is to allow the LECs to be primarily signposters of services. What other role could they play? I guess that it would be along the lines of what they are already used for: 30 per cent of our members are using them for training assistance and 16 per cent for skills and employment. With regard to LECs, that is an indication of what the demand-led services are required for. The solution should come out of the identification and understanding of the needs of SMEs. The role of the LECs would then become more clearly defined. However, I would not jump to a solution until we have examined those topics.

Allan Wilson: Generally, do you subscribe to the CBI's position, that there are benefits to SMEs from the overlapping of services at local level?

Gerry Dowds: If somebody asked me, "How would I be reimbursed for statutory sick pay?" I would not contact a LEC.

John Downie: If someone contacted a LEC, the LEC would not deal with the question: it would redirect the person to the correct agency. The

LECs have a specific role to play. The other agencies should be available so that the LECs can say, "You need to call this person."

The Convener: There are two issues. Is there adequate signposting of services, so that individuals know whom to contact? Once the services are signposted, are there too many places that they can be directed to?

Matthew Farrow: A multiplicity of delivery bodies can work if there is proper signposting. As John Downie said, the business shops are supposed to do that, but our sense is that they do not. Rather than invent something else, we need to find out what is wrong with business shops.

The answer is partly branding. The shops must rise above all the competing interests. The problem is that all the different bodies have their own reasons for existing; some are membership bodies, and some need income from services. They are desperate to get into the market, and that might require the knocking together of some heads.

The answer is also partly the training of the advisers in business shops, so that they are acting as more than just a telephone exchange.

George Lyon: I want to come back to one of my original questions. The committee is in the business of finding out where the network is working and where it is failing. Organisations have come along today and made some quite strong criticisms. I think that the committee must ask you to put down on paper the parts of the networks that are delivering, so that we can examine them as examples of best practice. You should also explain why you think they are delivering. Is it because of the structure, or because of the personnel—the quality of the people? I would also like you to highlight the areas where you think the structure is failing, and which organisations within the structure are failing, so that we can examine the reasons behind that.

The Convener: Contributions and written submissions are welcome, and we look forward to receiving them.

Ms MacDonald: I want to ask again about prototypes. Let us go back to Glasgow. There should be one business shop and one telephone number. The person who answers it should be able to direct SMEs to the various delivery agencies. But who gives out the money? Is it the various delivery agencies, or is it the organisation represented by the business shop—which is, presumably, the LEC?

John Downie: I think that we have to keep a Scottish business shop network under the control of Scottish Enterprise. We—

Ms MacDonald: Would grants come straight

through that mechanism, and not go anywhere else?

John Downie: No, it is a signpost. For example, if someone phones who needs a service from the local enterprise trust and the LEC, they are directed to that agency, and that agency deals with them. The business shop must assess the needs of the business first, and then direct it to the right agency. Assessing what the business needs is one of the key points. There is no point in putting someone through to a local enterprise trust or a LEC if they do not qualify for a grant. The person in the business shop should know that.

The Convener: We have run out of time. I thank John Downie, Matthew Farrow and Gerry Dowds for their contribution. George Lyon made some points about information that we would find helpful. We would be delighted to receive any survey information, to quantify some of the points that have been raised.

At the beginning of the meeting, I should have said that we have in the gallery the winners of the west of Scotland youth enterprise challenge—St Ninian's school in Glasgow. We had the pleasure of meeting the group that successfully pioneered the St Ninian's dome entrepreneurial project on the Isle of Bute, which led to the school's success in the competition. We welcome them today, and hope that they enjoy observing the proceedings.

We now move on to the second group of witnesses—representatives of the Convention of Scottish Local Authorities—who have been anxious to make a contribution to the work of the committee. We were unable to involve COSLA in our briefing meetings in August and September, but I am glad that we have found the opportunity today.

I welcome Councillor David Hamilton, who is convener of the COSLA development services forum, and I invite him to introduce his team.

Councillor David Hamilton (Convention of Scottish Local Authorities): To try to indicate the breadth of subject matter that the team represents, I will introduce myself and mention a number of matters in which I am involved. Although I am convener of the development services forum for COSLA, I am also convener of strategic services in Midlothian, and a member of the Scottish Council Development and Industry, Midlothian chamber of commerce and Midlothian enterprise trust. That is just to let you know that, although some of us are elected members, we have wide experience in several issues. I will let each member introduce himself.

11:15

Jim Cunningham (Renfrewshire Council): I

am not an elected member. I am head of economic development at Renfrewshire Council. My career in economic development has spanned the Scottish Development Agency, a local enterprise company and—most recently—setting up an economic development function in the new unitary authority in Renfrewshire.

To give some examples of my commitment to partnership, a commitment that is exemplified in other local authorities, I am a director of Paisley and District chamber of commerce. I sit on our new deal partnership and I am director of the West of Scotland Loan Fund, which lends money, in a benign way, to companies operating in the west of Scotland.

I have some comments on best practice and more effective delivery, which I shall welcome the opportunity to make during questioning.

Councillor Mervyn Rolfe (Dundee City Council): I am the deputy leader of Dundee City Council. I am also the convener of economic development in Dundee. I chair the Dundee Partnership. I have been in local government for 13 years, on Tayside Regional Council and Dundee City Council. I have been a member of Scottish Enterprise Tayside, which is our local enterprise company, for almost five years. I am a board member of Dundee business shop and a part-time university lecturer in economic development.

Tim Stone (Convention of Scottish Local Authorities): I am head of policy development within COSLA, and I cover this area. In a previous existence, I was much more directly involved in Strathclyde Regional Council's grants and training schemes.

The Convener: Thank you. You are all welcome to the committee.

I will start the questioning. You were here for our earlier session with the business panel. You will understand the line of questioning that members took in relation to identifying best practice in the delivery of services. That lies at the core of the remit of our inquiry. Will you comment on the way in which local authorities have dealt with the arrival of LECs in economic development activity and business support activity at local level? How successfully has that been dealt with, and where does the best practice lie for us to examine as a committee?

Councillor Hamilton: I will answer part of that. About four years ago, local authorities became unitary authorities, which in many ways assisted in best practice beginning to be established through the LECs. The story on the effectiveness and importance of LECs is different throughout the central belt and in northern Scotland.

What is correct for the north of Scotland might not be correct for Glasgow, in which case it will not be correct for Edinburgh and it might not be correct for the Borders. Each area must be dealt with differently. The strength of the LECs is that they are all things to all people and deal with matters in the best way for that area. That versatility is the key to a strong LEC. With the support of COSLA and the local authorities in those areas, the LECs are best placed to identify what is right in that location.

Local government has been going through a best practice regime for four years and is continuing to go through that process. We must carry out all our activities according to best practice. LECs have had to undertake a similar exercise through Scottish Enterprise; in many cases, they feel that that restricts their versatility.

We have attempted, through the various councils, to deal with matters in local areas. Jim might be able to give specific examples of best practice.

Jim Cunningham: I can give some examples of good practice that are emerging at local level. Whether they are best practice remains to be seen.

Some members may be familiar with the work done by West Lothian Council, which has taken the lead in developing a response to e-commerce in that part of Scotland. It worked alongside the LEC on that.

Most recently in Glasgow, in response to the best value regime, Glasgow City Council has decided to consider its economic development services jointly with Glasgow Development Agency. That is being approached as a joint initiative, to examine how to attain more effective delivery.

Renfrewshire Council leads the west of Scotland trade development programme, which involves all 12 authorities in that area coming together under our leadership and direction to deliver trade development support to local companies across the west of Scotland.

The Convener: I wish to probe a bit further on those points. For example, in Glasgow, you say that there is a voluntary coming together of the two bodies to consider how best to co-ordinate the delivery of services, which will have the effect of one person taking the lead on a particular service and someone else taking the lead on another. I recognise that the partnership structure works well and I understand that concept, but how well does it operate throughout the Scottish Enterprise network?

Jim Cunningham: We are seeing change, and we recognise that we must be more effective in

the delivery of services.

In Renfrewshire, I want to establish a more effective account management, or client management, system. If a company is dealing with someone from Renfrewshire Council's economic development team, it should be helped through the panoply of assistance that is available from other sources—it should have a company friend, who takes the company through the various support measures that other organisations can offer. It is important for us to develop that line.

I encountered some resistance, which came from two extremes, in taking that proposal forward in partnership with the enterprise company. While it was understandable that one extreme involved budgetary control, financial responsibility and financial accountability, the other extreme concerned who would get credit for what. We have overcome that and are moving towards implementing the proposal.

Our neighbouring council, Inverclyde, has an emerging partnership with Renfrewshire Enterprise. The business staff of both organisations will be colocated, a move that is partly driven by geographical remoteness.

The Convener: I understand the strength of that model.

Why do you not take the view that the local authority should withdraw from that process and tell the local enterprise company to take on the staff and do that work, while the local authority concentrates on the range of services that are provided primarily by local authorities?

Jim Cunningham: It might be more appropriate for Councillors Hamilton and Rolfe to comment on that.

There is concern about the democratic responsibility of local authorities, particularly in areas where the local enterprise company covers more than one unitary authority. Inevitably, there will be a push for local authorities to get a fair share of the resources that are spent in their area. To push control out as far as you suggested, convener, might cause problems.

Councillor Hamilton: I will take the first part of that question and then I will hand over to Mervyn Rolfe.

Lothian and Edinburgh Enterprise Ltd is an example of an enterprise company that covers four local authority areas. The position as it was some time ago, when only one or two local authorities were represented on LEEL, disfranchised the other two local authorities. That has changed—the four local authorities are actively involved in LEEL. The commitment—

The Convener: Is each local authority a

member of the board?

Councillor Hamilton: Yes. I think that you would find that in nearly all cases. It is partly a fairness issue, but it is also about redirecting resources and applying the strengths—on a united front—of individual local authorities.

LECs are not just a mechanism of supporting local companies—they have a much wider remit on infrastructure. Local authorities and LECs often come together when there are major projects that need to be dealt with. The local authority and the LEC are the two biggest public sector organisations and, when public money is used, it is appropriate and prudent for elected members to have a say.

That is the case in Lothian. However, as I indicated earlier, it differs from place to place, depending upon priorities. I suspect that there is a different way of working in Dundee.

Councillor Rolfe: In the Dundee area, our partnership arrangements, which have been in place for just under 20 years, are among the longest standing and are quite well bedded in. I know for a fact that that is not necessarily reflected in other areas of Scotland.

You asked why local government is involved in local economic development, and why it does not just hand over the money and staff to the local enterprise companies. Businesses will continue to expect something in return from the local council, having paid their business rates. They do not just want their bins to be emptied; they want more assistance. Because they are paying business rates, they expect some support, and that is the experience of most elected members. We are approached not only by people with housing complaints, but by business people who say, "What can you do for my business? I have just set up in this area and your council does not seem to be as helpful as I want it to be." We never manage to satisfy all the people all the time, as any politician will tell you. However, there is a genuine desire in local authorities to try to help local business.

Economic development is not just about supporting businesses. There is a range of different aspects to economic development, including advice, finance, training and property. Different councils, to different extents, involve themselves in each of those areas, as do the local enterprise companies. Some LECs put more emphasis on one area and less on others. To take up David Hamilton's point, that emphasises what is needed in a particular area. The advantage that local government has over the other support agencies is that it provides a greater range of services and has a greater opportunity to interface.

The committee is considering enterprise and lifelong learning. That is local government's stock in trade. One of the best ways to support business is to promote an enterprise culture, to borrow a rather hackneyed political phrase. None the less, we should do more of that in Scotland, where there is a low business birth rate. In some parts of Scotland, the rate is even lower than the Scottish average, which obviously is a mathematical certainty. In my own area, the business birth rate is very low. We need to tackle that issue in schools. The local authority is in a better position to do something about that than is an enterprise company which is new to such areas.

Mr Duncan McNeil (Greenock and Inverclyde) (Lab): I would like to hear more about local authorities' response to the problems outwith the cities, and about the Inverclyde initiative that you spoke about. There is a real problem, in that business people in such areas feel that Renfrewshire and Paisley are remote, and that they do not affect businesses in the Inverclyde area. Local authorities are responding to a demand from businesses that more local services be delivered jointly in the Inverclyde area, rather than in Paisley or anywhere else. Is that the case?

Councillor Hamilton: Let me give you an alternative example, on a similar issue. If a business lies just outside any of the big cities, it might encounter a perceived problem. We are based just outside Edinburgh—seven miles away is the county town of Dalkeith. In the past two years, we have established a business shop. Along with Midlothian enterprise trust, last year we established Midlothian chamber of commerce. The council played a pivotal role in each of those developments, for the reasons that have been described.

City development has a pulling power, which means that small companies, SMEs and micro-companies feel isolated. For the cities, there is therefore a need to begin to drive outwards—that is what I meant earlier by horses for courses. There are different answers for different places. The best organisations to deal with those are on the ground, in the areas where people belong and where the companies are beginning to develop. Action could be taken in a focused way, which is not always the case if a centralised view is taken. Scottish Enterprise has its LECs: it deals from the centre and flows outwards. The issue is to try to ensure that the LECs work innovatively. However, LEEL is a big LEC, which must be decentralised, to mean something to people.

On economic development, people—including businesses—invariably come to the council with a range of questions. A signposting system showing where businesses can get the best possible advice is in operation throughout the local

authorities. That is where accountability begins to kick in. Education and industry must work hand in hand; the link between local authorities and industry is pivotal to the future of the country. It is therefore logical to talk in terms of the partnership being embedded more strongly than it was in the past. We are well on the way to doing that, but there will be problems.

I hope that that addresses your point.

11:30

Ms MacDonald: I would hate you to think that I was a narrow nationalist, David, but I am going to ask you about Lothian. First, just to dispose of something, does West Lothian—which is the furthest Lothian authority from the centre of Edinburgh—no longer have a desire for a separate LEC?

Councillor Hamilton: East Lothian is the furthest away in terms of distance. However, the problem that you mention does exist.

Ms MacDonald: That is the first issue. The second concerns the role of the local authorities, as we are inquiring into the overlap that everyone seems to agree exists. I think that it is called blue-sky thinking, but I would turn it on its head and ask whether there is anything that Lothian and Edinburgh Enterprise Limited does that Midlothian—in conjunction with the strategic planning authority that covers the whole LEEL area—could not do?

Councillor Hamilton: First, we eliminate at our peril the opportunity for companies to go to whoever it is that they wish to go to. You therefore have a problem. You can streamline an organisation so that signposting tells people where to go to get this and where to go to get that. However, you must also have options for individuals and companies. That is an important issue, as not everybody wants to be an FSB member or involved with different organisations. The issue is not going to be clear-cut.

LEEL works within Lothian, where there are four local authorities. In many cases, working in partnership eliminates what we commonly call rubs, where friction can exist. It eliminates the friction but it will not resolve all the issues, because each organisation or company wants something different from a LEC or a local authority. You cannot be all things to all people. Somewhere along the line, you will disappoint a number of organisations.

We must recognise that a small company that goes to an agency with questions will not be back next week asking the same questions. That has to be resolved. An information centre should at least answer the question in a relatively short period.

Business shops—which are normally run jointly by local authorities and the enterprise trusts—work well because they open up a whole information network. Satellite offices away from the centre can answer a number of the issues.

Miss Goldie: To broaden out the theme that Margo MacDonald has embarked on, many of the people who have made submissions to us have been frank in conceding that there are difficulties, particularly in relation to the duplication of facilities. Can you—collectively or individually—identify instances of duplication?

Councillor Rolfe: Before I answer that, let me make a brief point. As a result of a 1985 report—I think that it was called the Stoddard report—tourism was taken away from the regional councils and given to the district councils. One of the major effects was that the regional councils saw tourism as nothing to do with them, so they did not spend any money or time on developing it. Tourism did not merely disappear from their responsibilities, it disappeared entirely from their agenda. That was a waste and a loss; sometimes duplication is necessary to ensure that all the active bodies in an area buy in to strategic development, whether that is development of tourism or the economy.

There are a number of areas where duplication takes place. Businesses are going to one organisation and then to another; they are almost playing one off against the other. Those businesses expect a grant from the local authority because they got one from the LEC—some grants are available from both sources. That is why it is important that there is proper signposting and a proper dialogue between the funding organisations. Signposting can be done by the business shops. In my area, the LEC and the local authority both give responsibility to the business shop for administering the grants that they award.

The Convener: Can I push you on best practice? Two organisations have grant-dispensing power in the same broad area, but one decides to contract its grant budget to the other. The local authority passes budget authorisation for, say, £50,000 to the LEC, which will administer two grant pots as one in the same broad policy area. Anyone who comes into the business shop in Dundee, for example, is being directed to that one pot of money, which is being administered by one organisation on behalf of two organisations. Have I understood you correctly?

Councillor Rolfe: That is essentially correct. However, the business shop, not the LEC, administers the money. The LECs and the local authorities get a substantial amount of their funding from the Scottish Executive. They are both answerable for that—if, in the Government's view, the money is not spent properly, their budgets are cut. There is sometimes a bit of a beauty contest

in relation to how well LECs and local authorities are doing, which of them attracted inward investors and which helped a company to stave off redundancies. That relates to the question about duplication. If one reads the local newspapers anywhere in Scotland, one will find a push-and-pull situation between the LEC and the local authority about which one does most for the local economy.

Miss Goldie: I want to be clear about Councillor Rolfe's response. I asked about perceived evidence of duplication and you have given me the sources of grants as one example. Is that the only area in which there is duplication?

Councillor Rolfe: No. There are a number of areas. Property and business advice can be areas of duplication. Several LECs operate an account system in which officers look after, for example, half a dozen companies each. Sometimes local authorities also do that. Those organisations must have a full and frank dialogue about what they are doing and with which companies they are doing it, because a company can crop up in both portfolios.

Jim Cunningham: In response to Miss Goldie's point, I should say that we have sometimes addressed that issue of duplication by agreeing on the appropriate lie of the land. In an attempt to reduce confusion and to avoid duplication in Renfrewshire, we decided to leave it to Renfrewshire Enterprise to concentrate on and to take the lead in business start-ups. Those start-ups can then avail themselves of the assistance that Renfrewshire Council offers.

Miss Goldie: So you have managed a delineation of duties to avoid duplication.

Jim Cunningham: Yes.

Tim Stone: There is duplication, and that is being worked on through the partnership approach, but it is important to remember that that duplication occurs partly because councils are spending discretionary money. Companies are not required to spend anything on economic development. Money that is being spent on it is being spent voluntarily by councils.

Often duplication has occurred because a council has perceived that more money than the LEC or other partners have available could be spent on something, or because there is a gap in the market. It is not necessarily the case that two bodies are spending a similar amount of money—councils have been augmenting what is paid by other bodies with money that would not otherwise be available.

Allan Wilson: My point is not dissimilar in so far as it is about best practice in local authority provision. The west of Scotland trading and development support scheme was mentioned as

an example; I assume that it covers the 12 local authorities of the former Strathclyde Regional Council. How can a body that operates over such a large geographical area interface with the individual autonomous LECs within it? Why was it decided that it was more effective to organise on a pan-Strathclyde basis, rather than at the level of local authorities? Are other developmental services—such as export assistance and business advice—better organised on a regional basis?

Jim Cunningham: The rationale behind delivering the trade development programme on a west-of-Scotland basis is that the programme takes companies to a range of sectoral-based exhibitions and trade missions. There are economies of scale in offering, for example, a stand at an electronics exhibition in Munich to companies throughout the west of Scotland, rather than offering a Renfrewshire stand, an Inverclyde stand and so on. It is an example of good practice to do that sort of thing collectively, and the programme has gone down well with local businesses. In some cases, we have extended our remit to cover companies in other parts of Scotland. I took a group of companies to an exhibition in Munich last year, including companies from Tayside—they came with us because they were aware that we organised that sort of package.

Dr Elaine Murray (Dumfries) (Lab): Some of the questions that I wanted to ask about areas of duplication have already been answered. I am interested in finding out what tensions exist between the LECs and the local authorities, particularly given the fact that the money that local authorities spend is discretionary and its allocation must be set against all the other things that local authorities do. How do you see the future as we progress with community planning? What opportunities exist to make the system more efficient and cohesive, perhaps including the tourist boards and other funding providers?

Councillor Hamilton: Funding is discretionary, as Tim Stone said, so any variance from one authority to another may be perceived as a major gap. People see that money is not being invested in their area, but they have to find the money no matter how hard things are.

Dr Murray: Does not that cause resentment among councils, because they must find from their own coffers money that they feel the LECs should be providing?

Councillor Hamilton: I believe that councils have a duty not just to be a service organisation to the population but to initiate various moves. If companies in the private sector demand a higher standard in education, it falls to us to achieve that. There is an invariable link between industry and local authorities.

Outside the city areas, there is invariably a perception that money is not being invested in the same way as it is being invested in the central belt or in the cities. Local authorities must determine how important finance is and make money available to acquire land, allowing the LECs to come in again. Working in partnership, we can do things that the LECs perhaps cannot do. There are regulations that apply to LECs but not to local authorities, and vice versa. We are restricted in certain areas and they are not. There are situations in which they can find money when we cannot, because there are fewer restrictions on them. There are certain issues that have to be dealt with through the LECs—they deal with commercially sensitive cases that our council cannot deal with.

There are inevitably disagreements—it is right that there should be disagreements when we are dealing with the public purse. Earlier, somebody mentioned the length of time that it can take to process things. In many ways it is right that that is the case. It might be frustrating, but the money is from the public purse. We know what happens if one makes a bad investment—there is a major problem.

There is a much bigger disagreement about the amount of money that the LECs get from Scottish Enterprise. A great deal of the money that comes from the centre—the system is perceptibly much more centralised than it was a few years ago—is ring-fenced, so the LECs have less money. The ability of LECs to be innovative is limited because the money is being invested in major projects or in two-year or three-year programmes. That creates friction—much more between local authorities and Scottish Enterprise than between local authorities and LECs. That is the argument of local authorities.

11:45

Tim Stone: I wish to talk about the development of the partnership approach, as people are focusing too much on duplication and friction. In 1995-96, COSLA and Scottish Enterprise and their respective networks first put together a partnership document to encourage councillors to work with LECs, and vice versa, because there was considerable friction. There were examples of LECs and local authorities working well together, such as in Lanarkshire and Dundee, but there were a lot of examples of friction.

As we said in our paper, we put out a further document in 1999 about strengthening the partnership approach. In the intervening period, there had been a shift towards joint working, particularly on a project basis, but that had developed into joint strategy only in certain areas. Since 1995-96, there has been a sea change in

the attitudes of councils and LECs to working together. When we had meetings with council officers and members in 1996-97, there was concern about the role of LECs and a lot of talk about takeovers and competition—such talk has entirely gone.

From our most recent set of responses, which we gathered in preparation for the paper, it is clear that virtually all councils are committed to working with LECs not just in project development, but to achieve genuine strategic partnership. It is important to understand that process. As we suggest in our paper, that partnership will be strengthened by such things as the community planning process—there is a dynamic that will increase joint working.

The Convener: Four members want to ask questions. They will have to be brief, as I want to wind up this part of the meeting before 12 o'clock.

George Lyon: The issue of duplication has been central to much of the discussion this morning. I believe that you heard the witnesses from bodies representing the customers, who had forceful views on duplication and the need for measures—in one case, radical measures—to get to grips with the network of different provision. Those who supply economic development were accused of failing to understand small businesses. Do you recognise those complaints? How do you envisage that the need for rationalisation will be addressed in the next few years? Obviously, the partnership approach is the first step, but your paper does not go beyond that. Should there be further steps to address the issues of duplication and rationalisation and the needs of business?

Jim Cunningham: I will pick up on that point and on points that were made by the FSB and the FPB. In my experience, one of the difficulties that LECs face is the lack of transparency in what they can offer to companies. The strategy of LECs is to say that their aim is to support winners and to work with fast-growing companies. That makes it difficult to say no to companies and to articulate to the outside world what business support is all about. For example, a company that has received support from the enterprise company to go on a trade mission overseas may tell its next-door neighbour on the industrial estate, which may then seek the same funding. The LEC has to decide whether it is prepared to tell the second company that it does not think that it is going anywhere. The result is that we end up in a vicious circle.

Local authorities have the advantage of being transparent in what they offer, although that is not to say that we are doing tremendously well. We are democratically accountable and we inform council committees of the criteria for the various business support programmes that we run. That information is generally available. I think that the

way in which the LECs deal with businesses sometimes creates confusion; that has come through in some of the comments this morning. I would not say that there is much duplication, but perhaps there is a lack of understanding about the support that is on offer.

Councillor Hamilton: I am a part-time councillor and an FSB member. The reason for the disagreement between COSLA and the LECs was transparent: they differed on how they wanted to go forward. Information and statistics could be better than they are at present. Much of our work would be far easier if we had an information bank in which we could place information from the Scottish Executive, local authorities and industry. That could be updated daily and would assist us a great deal.

There was a great deal of discomfort concerning micro-industries and SMEs. Jim Cunningham highlighted the main point: if a company is disappointed and does not receive the money that it wants, that creates friction. We have to be selective about investment, but companies find it hard to understand why millions of pounds are thrown at foreign companies to set themselves up in Scotland when local companies that are trying to build up their businesses do not get the same support. That perspective is not unique to businesses—many people see millions of pounds being spent in certain areas but failing to produce the desired result.

George Lyon: Are you saying that their criticisms are unjustified?

Councillor Hamilton: Yes.

Councillor Rolfe: They need to be seen in the context of a number of other factors. I, too, listened to the previous presentations, in which the speakers talked about retail and service industries not getting much help. One of the reasons for that is displacement: there are only so many windows to be cleaned and so many people who want haircuts in a particular area. In a range of services, the creation of a new business reduces the amount of custom that is available to a similar business down the road. That has to be understood, although it is frustrating to be on the wrong end of that equation.

The previous speakers also identified types of assistance offered by LECs and others that had proved successful. They found that the advice services were not very supportive, but it is only human nature for people to think that they have developed their businesses by themselves, without much contribution from others. We are not arguing that the previous speakers were wrong, but what they said needs to be seen in the context of other factors.

Mr Johnston: I have five questions, but they are

brief ones. First, how many people are employed in economic development in Scotland through the councils? Secondly, how much is the consolidated budget for economic development? Thirdly, how do you measure your success—how do you determine whether you are doing a good job as an economic development body? Fourthly, in my previous life I had contact with many economic development officers. Most of them were very good—the main difficulties arose when we met the planning people. Do you think that planning should be brought within the remit of economic development? Finally, what is your view of the practice of economic development departments' taking equity shares in businesses, which then compete with other businesses in the area?

Tim Stone: I will pick up some of those questions and pass on the rest to others. Does your first question refer to the number of staff whom councils employ on economic development activity?

Mr Johnston: Yes.

Mr Stone: It is approximately 1,000, which is about 0.5 per cent of the non-teaching staff of councils.

In answer to your second question, early budget figures indicate that about £90 million is spent on fairly direct business support. That does not include some of the other activities that have been mentioned, such as transportation, planning and regulatory services.

On measurement, the position is variable. Jim Cunningham may want to say a bit more about that. Work is being carried out through the Scottish local authority economic development group to try to improve measurement. Some councils have had consultants in to assist them with building up measurement, others have done it themselves. The survey suggests that there is great deal of disparity among councils. That is a point that we flagged up in our submission to the committee. We believe that there is scope for improvement and that it would be helpful for the committee to consider some kind of standardisation.

On the role of linking planning and economic development, it is worth noting that most councils have restructured their departments. In most councils, a portmanteau department under a single director deals with planning, economic development and, often, transportation and other regulatory services.

Mr Johnston: That is not the case in all councils, is it?

Tim Stone: It is not the case in all councils, but it is the case in most.

The Convener: Does that structure deal with Mr Johnston's point?

Councillor Hamilton: I would be reluctant for councils to incorporate economic development and planning into the same committee. Planning is regulated by law. Councils must adopt those laws and must be seen to be impartial. For example, I am convener of economic development, transportation and strategic development, which is strategic planning. However, councils have a legal obligation for regulatory planning. It would be wrong for councils to tie together economic development and planning. We could get into bother.

Jim Cunningham: With respect to Councillor Hamilton, I operate as part of a wider planning and transport department where we have daily dialogue with our colleagues in planning to ensure that any difficulties can at least be foreseen and that the company can be led by the hand through the process, so that it does not come up against the sort of bureaucracy that Mr Johnston may have experienced.

Mr Johnston raised the issue of measuring success. One of my roles, which I have not mentioned, is every quarter to bring together the heads of economic development of all 32 local authorities to discuss issues of common interest. In many ways, our remit reflects the remit of this committee. We have set up a group to examine how we can measure effectiveness. The group has been working closely with Scottish Enterprise officials to establish a common framework for measuring success. However, convener, you will acknowledge from past experience that that is a difficult issue to address, although it is one that must be considered more closely.

Mr Davidson: As a former councillor, I have been involved in economic development, so I know where you are coming from and have some sympathy with the issues that you face. In your evidence, you said that duplication occurs because of discretionary money. You said that you have been involved in beauty contests in running your own signposting services and that you now have democratic input at board level. Why, rather than coming to the table as a competitor, do you not approach partnership on the basis of your traditional skills and responsibilities? What is the local authority view on that?

Councillor Hamilton: What do you mean by our coming to the table as a competitor?

Mr Davidson: You have admitted that there are areas where you compete and overlap.

Councillor Hamilton: Yes, but I have also indicated that in some cases opportunities should be offered to individuals and companies and that they should have a choice. Duplication is not a problem that must be overcome at any cost; in some cases, companies require duplication of

services.

Mr Davidson: Do you mean that you supply additional services to those offered by the LECs?

Councillor Hamilton: Yes.

Mr Davidson: What this committee must do is to assess the whole field of local economic development and examine how the building blocks should be put together to ensure the best delivery of services. You have said this morning that you are voluntary entrants into the field.

Councillor Hamilton: We have also said that examples have developed in the years since unitary authorities came into operation and that the relationship with LECs has improved dramatically. Through organisations such as Midlothian enterprise trust, the local authority and LECs have established business shops. That is one approach by which we can arrive at a double-funded position where the councils have representation in the business shops and can release funds through the LECs or the business shops. That is not duplication; it is an example of our coming together to work harmoniously. We are overcoming our difficulties and there is a lot less duplication than there used to be.

12:00

Councillor Rolfe: Overlap and duplication do not necessarily create competition; they can lead to augmentation.

Mr Davidson: I am not attacking what you do but trying to find out whether there is a better way of delivering it.

Councillor Rolfe: We would argue that delivery is on the basis of partnership and augmentation rather than competition.

Miss Goldie: A recurrent theme in today's submissions has been that provision of advice at a local level is supply driven rather than demand led. How do you address that? What dialogue do you have with the business community?

Councillor Hamilton: In most cases, the local authorities that I have experience of are increasingly involved in economic development and tying it to the educational system. Local authorities have a direct input into further education colleges. Informal connections are being made all the time between business and local government. That relationship is developing all the time, but there is still a lot to be done.

Another aspect that I should mention is strategic development. The establishment of the chamber of commerce in Midlothian is an example of the local authority being active—not just responsive—in building an infrastructure. The local authority developed a strategy based on the need to

develop an infrastructure outwith the cities to allow industry to move out of congested areas.

Councillor Rolfe: Most local authorities have a strategic plan for economic development, which is open for discussion and has been formulated in the arena of public consultation.

Increasingly, members of local authorities are able to have a dialogue with the local business community. My council is a member of the local chamber of commerce and the officers of our development department and the councillors regularly go out to meet business people. A genuine dialogue is developing between councils and local companies, mostly on economic development, but also on wider issues. That will be apparent in the responses that you receive from councils.

Jim Cunningham: Renfrewshire Council has established the Renfrewshire economic forum, which brings together the council, the LEC and the chamber of commerce. It helps us to understand the business perspective on the big-picture issues.

At a local level, we receive regular feedback from our customers on the services we offer. We run a lot of joint networking evenings with the chamber of commerce to hear the business perspective on what we are doing.

The Convener: I would like to draw this part of the discussion to a close. I thank David Hamilton, Mervyn Rolfe, Tim Stone and Jim Cunningham for coming this morning and for the paper that was provided in advance. A number of submissions have been made by local authorities and we look forward to considering them in greater detail.

We will move on to the next part of the inquiry. I welcome to the committee Lex Gold, the director of the Scottish Chambers of Commerce, and his colleagues. I invite Lex to introduce his team, and then we will start the questioning.

Mr Lex Gold (Scottish Chambers of Commerce): Thank you John. On my immediate left is Peter Burdon, who is the chief executive of Glasgow chamber of commerce. On his left is Liz Cameron, who is chief executive of Paisley chamber of commerce.

The Convener: Thank you for the paper that you provided to the committee in advance. It was helpful.

I will begin by asking whether the chambers of commerce see their principal role as providers of services or providers of advice in relation to the areas that are of interest to the committee.

Mr Gold: Our role is wider than both of those.

The Convener: I am sure it is.

Mr Gold: Ours is a broad-based role. The aim of

the chambers is to ensure that the business voice is heard in the areas that they cover. Ours is a bottom-up organisation that is situated in towns and cities throughout Scotland. Our aim is to ensure that the business community comes together and forms a view on matters that are of interest to it. In the main that is the economy and the delivery of services. We consider the need to get across the business community's view through lobbying, which may be a bad word in these chambers.

More generally, the chambers examine the services that are needed by their members and seek where possible either to provide them themselves or to ensure that they are available for members to draw upon. In the broad Scottish economic context we also look at the development of export services and provide advice to our members on exporting. We seek also to provide advice on good places for inward investment. Our role is more broadly based than just the provision of services. The majority of our small chambers do not provide services. They look to the bigger chambers to do that.

The Convener: One of the points that has occupied the committee's attention a great deal, and which will do so when we address the next item on the agenda once your evidence is complete, is how we gather evidence for our inquiry into the congestion and optimum delivery of services. How do we gather that information from those whom we would term real people? Having listened to this morning's evidence, can you inform us of the attitudes of mainstream companies with regard to services, and other issues that you think we should hear about?

Mr Gold: We do not have a recent survey. We did not know that you would be examining service provision. Had we known, we would have repeated a survey that we did some time ago. However, we have since learnt that you were considering that topic, so we went to individual chambers and asked members their views. We gained information in that way, rather than through a survey. We would be happy to share the outcome with you.

The Convener: Please do.

Mr Gold: We listened to the earlier evidence, but we did not recognise some of it with regard to the views of our members. At a strategic level, Scottish Enterprise and Highlands and Islands Enterprise broadly have done a good job. Locate in Scotland and Scottish Trade International broadly are also doing a good job.

That is not to say that all of our chambers are happy that Locate in Scotland has attracted to the chambers' areas the kind of inward investment that the chambers wish to see. There will always

be competition and there will be certain areas that feel they have been short-changed. However, at a broad Scottish level, the chamber movement supports the idea of bringing in inward investors, particularly high added value inward investors.

As for local enterprise companies, we had a pretty mixed response. Some very good LECs are working extremely well with the local chamber, the local authority and the community; and there is a middle group of LECs that are performing reasonably well. In the past, there have been one or two that we think have performed less than well. That is not an omnibus view.

The Convener: You say that you have information on LECs that have performed very well. Have they performed very well in partnership terms or do they meet the committee's definition of "performing very well", which means minimal duplication, clear lines of demarcation and ownership of certain areas of policy and service provision?

For example, you talked about the chambers' involvement in exporting. Although I appreciate Scottish Trade International's role in that, to what extent are LECs, local authorities and possibly the chambers and other organisations separately promoting local involvement in export? That means that, although loads of people are involved, the process lacks the impact of gathering resources in one place to feed out to companies.

Mr Gold: I will answer your second point first. We deal with exporting on a national level. Scottish Chambers of Commerce is the focus for any Department of Trade and Industry export grants. However, an individual chamber of commerce, such as Aberdeen, would lead on oil and gas going out to the middle east, for example. Because there is a national focus, duplication does not arise.

Your specific question takes us to the core of some of the issues that have been discussed. Some LECs have been classed as good because they have listened to the local business community—which does not necessarily mean that they agree—are aware of what else is happening, and generally have formed partnerships. However, I would be stretching the truth to say that that has led to no duplication. I am not well placed to say whether there has been a reduction in duplication or overlap.

George Lyon: We have been examining issues such as duplication, value for money and whether the current structure delivers. Although it seems that a plethora of organisations is delivering, a plethora of organisations is also representing business interests. This morning, we have heard a range of opinions from yourselves to representatives from the small business sector

who were giving evidence earlier.

I was interested in your comment that some LECs were performing very well, that there was a middle range and that some at the bottom were not performing well at all. We are trying to identify whether the structure is causing the differences between the LECs that are delivering to your members and those that are not or whether it is the personnel. If the structure is to blame, can you highlight the differences between the good and bad LECs? On the other hand, if it is the personnel, why has the enterprise network not resolved the problem at a strategic level?

Mr Gold: Searching for the perfect economic development model is like the search for the holy grail. One solution does not fit all. The general position is that there is confusion, particularly for those who are starting up in business, about where to go for advice and, having gone there, what support mechanisms are available. That basic problem is endemic.

I have listened to the discussion about business shops—we are partners in a number of them—but business shops are only signposting organisations; they are not there to give grants, as Margo said earlier. Their job is to signpost the business to some other place of help.

12:15

We have given some thought to the current structure. Matthew Farrow asked whether it has grown organically and whether it is time for change. My advice is, "If it ain't broke, don't fix it." From our point of view, it seems that there could be a case for examining the structure again. That is not the universal view of Scottish chambers of commerce. The majority view is that we ought perhaps to end the independence of the local enterprise company, keep the local board, keep the local focus, keep the local solution to the local problem, re-examine the structure, but keep the strategic focus that comes from Scottish Enterprise and Highlands and Islands Enterprise.

If local authorities are working, their strategic focus ought to be on economic development, not on planning or resources. There could be a re-examination of the independent status of local enterprise companies. If a review were to conclude that they should no longer be independent, that would at least save some money on the financial, personnel and common service functions, which could be ploughed into economic development. The arguments against that are that local input could be reduced and, as one would expect, we are keen on local business leadership for those bodies.

Coming to some of the other issues that were mentioned—

The Convener: Can I just stop you there, Lex?

Mr Gold: May I just make a final point, John? I shall be very brief.

The Convener: Of course.

Mr Gold: I wanted to mention the stages that are involved. It seems to us that one could go a stage beyond the business shop to franchise the delivery of business growth, training and business development in general to an organisation for each of the local enterprise company areas. That would provide a true one-stop shop where businesses would get not only the advice that they need but unambiguous help using it.

Those are not absolutes but, having heard the debate today, I think that that approach could provide one solution to the problem of overlap and duplication. I am sorry that I took so long to explain.

The Convener: Not at all. Your contribution has been very helpful.

George Lyon: Can you expand on what you mean by franchising the business shops?

The Convener: I wanted to ask a question, too. Are you suggesting that local enterprise companies should have their company limited by guarantee status removed, but that a local advisory board should be retained?

Mr Gold: Yes.

The Convener: Would the prudential authority and requirements of the local enterprise company therefore be transferred to Scottish Enterprise nationally? Scottish Enterprise is not really part of the focus of our inquiry in terms of its national presence as an economic development agency, but the setting of local priorities would be the function of a local advisory board working with local authorities.

Mr Gold: That is right. The democratic link is the Scottish Executive, which sets the guidelines for the strategies of Scottish Enterprise and Highlands and Islands Enterprise. We are talking about the local delivery of those strategies.

To answer George Lyon's point, the concept of franchising the business shops is broad. It is not fully worked through. A lot of detailed work is required if we want to go in that direction. We were thinking about it before coming here, and, listening to your debate, I was stunned that you were on the same territory as us.

Franchises could provide a one-stop shop that gives advice, guidance, delivery and support, and they could remove confusion. That is what most business people say. We would see them as being competitively tendered.

We believe that existing partners—we have heard quite a bit about partnership today—such as chambers of commerce, local authorities, enterprise trusts, business shops and, possibly, some of the existing LEC staff, could be in the process of bidding for a franchise. The franchise would be time-bound. Clear quality and other outcome measures would be set. That, broadly speaking, would be the basis on which to go forward.

The Convener: What type of organisation would you see tendering for such a contract?

Mr Gold: I would see it as being a consortium of the kind that I have described—of the kind that already works in partnership. Today, you heard from the local authorities about how they are working with a range of people. We are certainly part of that range.

With such a base in the community, we would have an opportunity to remove the confusion that currently arises. It is not Panglossian: it is not about having the best of all possible worlds. In any circumstances, there will be flaws in the structure.

The Convener: To echo Fergus Ewing's maxim, it is nice to hear solutions rather than problems.

Elaine Thomson (Aberdeen North) (Lab): Earlier, we heard from some organisations that there is a lack of understanding of SMEs among some of the economic development agencies. I would be interested to know your view on that, Mr Gold, given that the bulk of your membership is made up of SMEs.

I have three questions, which are not directly related to each other.

The second is whether the current economic development structure is good for encouraging business start-up. Are there any particular problems with it?

My third question is about the chambers of commerce delivering training of one sort or another themselves. How do companies find having such a multiplicity of training providers? The view has been expressed that the university for industry could help considerably with that. Do you agree?

Mr Gold: I will share the answers to those questions out.

On SMEs, the point is that there are far too many companies out there for the available support. We have to bear in mind that economic development models are about market failure on the one hand and economic growth on the other. The evidence from the local authorities was pretty near the mark: we will not help all companies. There will be broad criticism because of that.

There is a reasonable understanding between

local enterprise companies and local authorities about the problems of small and medium companies. However, given what I was saying about the world, that understanding is patchy—I would not say that it is absolute. I think that this committee's focus on small companies is healthy and helps raise the profile, although my colleagues may have a different view.

The big problem for small companies when it comes to training is that they cannot allow employees time off to go and be trained. The solution is apparently the digital revolution. UFI can be part of it, but it is not the whole answer. Not all training will be available through television and the internet—a lot more is now—but it is a question of ensuring that employees get that kind of learning if it is available. That will help small companies immeasurably, as there is a problem with their being able to train employees.

I missed out the question on business start-up, which I will pass to my colleagues.

Mr Burdon (Glasgow Chamber of Commerce): Business start-up has a reasonable structure, but support stops as soon as the company has started up. If we are going to go for the franchise solution, we might find the franchise going beyond start-up into work that is missing at the moment, such as mentoring the business, ensuring that it belongs to a network and getting other businesses' advice on expansion. Many people think that business shops are there to help start-ups and do not touch them again.

On misunderstanding SMEs, the issue is more that SMEs do not understand that LECs and councils are there to deal with market failures and are not interested in displacement issues. SMEs expect everyone to get a grant; we know that grants are not available for everything. Many grants involve European funding issues and it is not necessarily for councils to decide whether they can give money away, as there are strict guidelines to follow. I do not think that businesses understand that.

On training, we find that while employers are interested in training staff for their own work, they are not sufficiently interested to provide training in transferable skills, which would help the Scottish economy in the long run. The chambers and other organisations can help to overcome that problem by leading from the front and ensuring that we promote transferable skills by working with the university for industry and so on.

Liz Cameron (Paisley Chamber of Commerce): The lack of understanding of the SME market has been widely referred to for a number of years. One of the problems with SMEs is that they find it difficult to consider how to develop their own businesses and how to tap into

the array of available services. There is also a bit of an attitude that says, "We don't get grant aid, so the service is not working for us."

Historically, the grant givers, such as LECs and, to a lesser extent, councils, were measured and monitored on numbers. They were asked how many SMEs they helped, how many companies had started up and, two years later, how many were still in business. They were driven by numbers rather than by the quality of advice and support they were giving SMEs. That is a two-way difference that has resulted in SMEs saying, "You don't understand us." At the moment, SMEs are not equipped to tap into the array of available services and it is the role of the chambers and other organisations to help SMEs do that.

I agree with Peter Burdon that business shops and agencies provide a lot of advice and support before start-up, but once businesses have started up in some areas of Scotland there seems to be a lack of support to help them develop.

I would like to mention the numbers game in relation to business start-ups. We must become more of a risk-taking culture, rather than go for winners all the time. If we start up 100 companies, all of which fail, what have we achieved from a personal development point of view for the individuals involved, who may have been unemployed? We give them skills and help them to develop as individuals. It is important that we do not measure our successes and performance only against business start-up winners.

The training question was good. I agree with Lex's point on time off, but there is no doubt that it is SMEs' responsibility to train their people. Help is available through a number of grants from a variety of agencies. We need to consider the bottom line and the cost benefit to start-up companies. Small companies should be encouraged to tie in that cost benefit to their bottom line a little bit more. That is not being recognised just now.

The individual employee credits that are being implemented go some way towards allowing the employees of these companies to approach the employer and say, "I would like to be trained. I would like to get more personal development training." I think that is good. That could be built on. One other possible solution to alleviate the problem of SME training is to allocate some form of tax benefit to small companies.

12:30

Miss Goldie: Lex, the sensitive and diplomatic way in which you articulated the thoughts of the Scottish Chambers of Commerce on a possible franchise model for the LECs suggests that there is recognition of an existing difficulty. I am

intrigued—as, I am sure, are all committee members—by the innovative nature of that suggestion. Having listened to the three of you, I am slightly clearer about the role that you envisage will be taken by that franchise model. Where do you envisage that leaving existing providers such as enterprise trusts and local authorities?

Lex Gold: My sensitivity is born of the fact that the majority of the chambers are in support of this notion, but not all are. It is a new idea that came out of the invitation to meet the committee—and out of some thinking that we did—and it needs a lot more work before it can be implemented. I would add—I did not do so earlier, Annabel, as I was under pressure from the convener not to go on for so long—that I envisage it as a hub-and-spoke model. In other words, the rural parts of Scotland could be covered by placing the centre in Inverness, and by having outposts in places such as Caithness, Fort William, and Lochalsh. A hub-and-spoke model could be adopted for that franchise, which would give broad coverage.

We had in mind the existing partnerships when we considered who would be involved. It would have to be competitively bid for. However, our member chambers have a reasonable stake in the training element, which they could lose. I do not believe that all those who are providing training or services need lose out, as the new organisation—which would sit below the LEC—would contract and would not be able to supply all training in-house. It would be charged with the duty of not sending a person from one pillar to another post, saying, “You are going to these people for training. They have got what you want.”

Miss Goldie: I want to clarify this, Lex. One of these bodies—enterprise trusts or local authorities—might be a contracting deliverer?

Mr Gold: It could be. However, according to the model that I would prefer, which is not necessarily the model that will emerge, the enterprise trusts and the chambers would be part of that consortium in the first place.

Allan Wilson: Is what you proposed not in effect the outsourcing of local economic development services by Scottish Enterprise to a series of consortia that may or may not be based on existing boundaries of local enterprise companies, enterprise trusts or local authorities, or a combination? Do you envisage a single contract and a single condition of tender for the delivery of services, or different contracts and different conditions of service for the delivery of different services? Do you envisage the incorporation only of existing provisions or of a mixture of different provisions from different providers?

Mr Gold: That question addresses two issues.

First, there is the issue of boundaries, which the committee may want to consider. However, as boundaries exist, we envisage there being one contract within that.

Allan Wilson: Within which boundary?

Mr Gold: Within the local enterprise company boundary. As I have already said to Annabel, I see the spread-out as being a hub-and-spoke mechanism, because it should not be too far away from the individuals who are looking for the service. It will deliver the whole start-up area of the development of business growth and training. Those two areas can sit happily together.

Allan Wilson: In a single contract?

Mr Gold: Yes. But Annabel was right—I was sensitive in the way that I approached that. I want to make it clear that this is not a full-blown or fully thought through idea; but I was stunned to hear the nature of the discussion, because it was exactly the thing that we were wrestling with.

Mr McNeil: I wanted to ask about workplace training and some of the barriers to access that have been mentioned. Do you think that there is any merit in the establishment of some sort of Scotland-wide lead body to overcome some of those problems?

Mr Gold: There are a great many bodies around already.

Mr McNeil: That is my point. There is no single body.

Mr Gold: Forgive me if this is not a direct answer to your question, but I think that there is a need in Scotland for a champion of small business, who should, I believe, be appointed by the Scottish Executive. In that way, a lot of the issues that have been articulated this morning could be focused on and tackled.

Mr McNeil: Is workplace training a problem only in small businesses?

Mr Gold: The main area of problem is in small businesses, but medium and large businesses have problems as well.

Mr McNeil: Is that a yes?

Mr Gold: No, no. The answer is not absolute. Bigger businesses have fewer problems with workplace training because of the economy of scale that operates. Medium businesses have more difficulties, and smaller businesses have huge difficulties.

Mr Davidson: I am fascinated by the model that Lex has just extolled. My first reaction was a bit like Annabel's: “Why is he stopping here?” You seem to have taken on board the need for a single point of entry in the signalling process. You then

go on to say that there will be a single contract. I am concerned as to how some of the organisations can supply the whole package on a tender basis, so to speak. I think that it would be better to look at the different facets of developmental support: mentoring, analysis, accountancy services and so forth. I accept that you envisage there being an outside standard body.

The chambers evolved over the years because people could not afford support individually but found that, collectively, they could. Others found that their industries, because they were large, became sector driven and so needed to have a champion. I do not think that you have gone all the way down the line yet, though I hope that you get there eventually, but where do the chambers see themselves when they look at where they have come from? This must be a crisis point for you.

Mr Gold: We see no crisis. But then, someone once came off an aircraft waving a piece of paper and saying that he had peace in his time. The chamber movement has grown by 15 per cent in the past four years. It is certainly not an organisation that perceives itself to be in any difficulty. The fact that we are locally based and dealing with our local MSPs in this Parliament is a helpful democratic link.

David, I would not wish you to take what I was saying earlier as a fully-fledged approach. I hear your point, I understand Annabel's inference, and we agree that there is scope to examine that kind of territory. However, the chambers have clearly changed recently. Peter's chamber in Glasgow has been in existence for over 200 years. For a period, the chambers got into the state of being old men's clubs—as Annabel, Margo and others might recognise—with people sitting in leather armchairs smoking their cigars.

There has been a change in the nature of the chambers of commerce. We believe that change will continue and develop. On this occasion, I will not spend a lot of time describing what we are about. I am confident that the chambers have a strong contribution to make to the kind of model that I described. I must underline the convener's point that the model is not fully fledged.

Liz Cameron: I will add to what Lex has said.

It was mentioned earlier that it was necessary for the business community to have a greater input into the structure of Scotland's economy. I will give an example from Renfrewshire. I live in Inverclyde but work in Paisley and have worked across Scotland as well. We had four business-led organisations operating across Renfrewshire. There was a local authority network, an enterprise trust and Paisley chamber of commerce—I do not smoke cigars, Lex. We realised that we had a

fragmented approach to a demand-led product. What did we need as business people and creators of wealth in the area to grow and develop? The business community in our area decided, some three or four years ago, on the need to come together. First, we had to put our business voice and our business view across coherently. Secondly, we had to begin to work with economic development agencies such as councils and LECs.

Across Scotland, chambers and the business community have a strong desire to sit down with the committee and begin to drive the agenda for the Scottish economy. That desire is there already. We have a wonderful opportunity through Lex's model—which must be thought through but is a start—to bring together the expertise of all the agencies, rather than to continue to compete at grass-roots level in the delivery of many services that are badly needed across Scotland. This is an opportunity to take that model and work it through. In the chambers of commerce, we have got our act together over the past five years. There is still quite a way to go, but we can develop as a coherent group working at a local level.

Allan Wilson: What does the consortia model bring that the partnership model cannot provide?

Mr Gold: Coherence and consistency. That is the problem that the committee has been addressing. Some members have described it as overlap and duplication, but it is coherence and consistency.

The mapping that I gave you of the view of local enterprise companies is what lies at the bottom of this. From the Scottish Executive down, including Scottish Enterprise and Highlands and Islands Enterprise, we would be setting the specific goals and the strategic framework. The quality and outputs would be defined and would have to be met by those organisations. There would be somebody to answer for the kind of complaints that we have heard in the chamber this morning.

The Convener: I close this part of the evidence. I thank you for attending today and for bringing positive proposals to the committee. I encourage the chambers to further develop those suggestions and submit them. The deadline is 18 November.

Mr Gold: We will not meet that.

The Convener: That is exactly the point that I was going to make. We are more interested in getting the ideas than getting them in a prescribed time scale. We, as a committee, want to add some value to the debate about the delivery of cohesive and consistent services within Scotland. That is the purpose of this inquiry.

Our next agenda item will tackle some of the issues that Liz has raised about dialogue with the

business community. I am required to close the meeting by 1 o'clock, so we will make some progress.

Work Programme

12:45

The Convener: I asked the clerks to prepare a draft of the work programme to give members a view of the likely duration of the inquiry, its component parts and how it would fit together. Last week, several of us discussed that informally.

I want to make several points about the briefing note. First, it includes a breakdown of each of the phases of our work. I have just noticed that there is a mistake in the numbering of the case studies. We will carry out four case studies—two on business support and two on lifelong learning—to examine issues of best practice. Input from members about where that best practice may be sought is very welcome. We have invited written evidence and it is coming in on a fairly sustained basis.

On page 4 of the briefing note there is a reference to the business in the chamber proposal. At our meeting a fortnight ago, I sensed concern that we were not meeting the people who were the users of the services. At the conveners group meeting, we discussed the proposals of the consultative steering group, which provide for resources to be available to the committee and the Parliament to engage a wider audience in its deliberative work. I am asking for members' approval to arrange a half-day exercise to take place in the chamber, involving 129 users of business support services. Those people would be invited to discuss the conclusions of the phase 1 inquiry. I invite every member of the committee, based on their local and constituency experience, to nominate five individuals to take part in that debate. We would also provide the opportunity for organisations of which we are not aware to gain access to the debate through a website or by contacting the clerks. The purpose is to go beyond the core of the parliamentary membership and to engage in dialogue with a wider community.

The mapping exercise of the delivery of local economic development business support and vocational training services is under way. The Scottish Parliament information centre is doing a great deal of work, but that needs to be supplemented by external resources and we are seeking approval to do that. I have discussed with SPICe the proposal to link up with other providers, such as Scottish Enterprise, to help gather information. There is a lot of sense in trying to draw together that work. I have made it clear to SPICe that we want to maintain editorial control

over the content of that material.

We have also developed proposals to seek external opinion and direction for our inquiry. That is set out in the briefing note. I will go through the recommendations on page 6 so that we are very clear.

The first recommendation asks for the committee's approval of the general methodology and schedule that is outlined in the note. The second recommendation is that the committee formally agree that the parts of the meetings that are used to formulate the interim conclusions or the draft final report should be held in private. I have to seek the formal agreement of the committee to do that. Once we have reached formal conclusions, they will be publicised. That is the third recommendation.

The fourth recommendation is that, during phase 2 of the inquiry, we publish the written evidence that we have received. However, that evidence will be made available to members as soon as possible after the deadline of 18 November. We are asking the committee to support the business in the chamber proposal, which must seek authorisation and resources from other bodies: the Parliamentary Bureau and the Scottish Parliamentary Corporate Body. We are seeking agreement for the research support and expert advice that is outlined in the paper. Finally, we seek the committee's approval of external bodies to undertake the research and expert advice.

Are there any comments on that?

Allan Wilson: I think we are happy to endorse that programme. The only minor amendment that I suggest would be to the business in the chamber proposal, which refers to five individual businessmen or women. Those people need not be individual businessmen or women. They might be people who have experienced the delivery of local economic development services as consumers; they might be people who have made application and failed to secure the necessary development services. I would add that proviso.

Mr McNeil: I am quite happy to go along with what is listed. I suggest that the Scottish Trades Union Congress, as a general organisation for people who are involved in workplace training, should be involved, perhaps in the hearing for lifelong learning consumers on 24 November. In addition, the STUC should possibly be involved in our consideration of case studies on 26 January. The STUC may be of assistance with problems of best practice.

The Convener: Are there any other comments?

I think that Allan and Duncan's points are accepted and we can proceed on that basis. The clerks will take steps to implement that.

Subordinate Legislation

The Convener: The next item on the agenda is the consideration of two statutory instruments that have been referred to us for consideration by the Subordinate Legislation Committee. At our previous meeting, I was concerned that specific points were raised on statutory instruments for which the committee clerk and I were unable to provide answers. I felt that that was unsatisfactory.

Today, on the Education (Student Loans) (Scotland) Amendment Regulations 1999 (SSI 1999/124), we are joined by Gillian Thompson of the Scottish Executive enterprise and lifelong learning department. On the Thurso College (Change of Name) (Scotland) Order 1999 (SI 1999/126), we are joined by Colin Reeves from the same department. I am grateful for their attendance to give specific answers to concerns raised by the committee. Their attendance is a point of practice that we have to establish to ensure that we are able to consider such issues properly.

Do members have any points to raise on the Education (Student Loans) (Scotland) Amendment Regulations 1999 (SSI 1999/124)?

Allan Wilson: As the instrument is a negative one, will it become law unless the appropriate motion is moved?

Gillian Thompson (Scottish Executive Enterprise and Lifelong Learning Department): Yes. That is correct.

The Convener: The practice is that the instrument is notified to the committee. We must give any objections to the contents of the regulations before 29 November.

Miss Goldie: I share the concerns raised by the Subordinate Legislation Committee. If we are being asked to follow a model that has been pursued south of the border, the sooner we are made aware of that the better.

The Convener: Are there any other comments?

That point will be in the *Official Report* of our meeting and will be fed back to ministers. On that basis, I take it that the committee has no other comments to raise on the regulations. Are we agreed that the Parliament's attention need not be drawn to the regulations that are before us today?

Members indicated agreement.

The Convener: The secondary statutory instrument that we must consider is the Thurso College (Change of Name) (Scotland) Order 1999 (SI 1999/126). Are there any points on that?

Miss Goldie: I am tempted to raise a point just to give the Scottish Executive officials something

to do but, as I come from Renfrewshire, I will not be so impertinent.

The Convener: The point of practice—that we are equipped to answer any points that arise—is an important one.

Are we agreed that the Parliament's attention need not be drawn to the regulations that are before us today?

Members indicated agreement.

The Convener: Thank you. I also thank Colin Reeves and Gillian Thompson for their attendance. I hope that when we deal with other statutory instruments, we will make matters more taxing for them.

Inquiries

The Convener: We will now consider two future inquiries by the committee. The first is an inquiry into differential petrol pricing. The clerks have prepared a draft remit. I seek the committee's agreement to the proposal. I have been reluctant to consider these issues during any of our scheduled meetings. If we want to go down this route, we will need to find appropriate dates. The clerks had suggested the morning of 3 December, but having talked to a number of people, I have not found that date to be suitable. I open up the discussion on the remit of the inquiry and seek suggestions for other dates for the clerks to investigate.

Mr McNeil: I do not mind meeting on Fridays, but if we are going to do so, we need a longer lead time, as members are booked up on Fridays into January.

Miss Goldie: That is a fair comment. While Fridays and Mondays are possibilities for meetings, we need to have a wee bit of warning. Being entirely selfish, convener, my parliamentary days are already packed to capacity.

The Convener: Are we agreed that we will ask the clerks to find the first Friday in January that is convenient for everyone? Elaine, you say no.

Elaine Thomson: The committee is meeting only once a fortnight. A considerable number of committees are meeting every week. I would think that it might be possible to find a Wednesday, so that at least we are meeting within the parliamentary week.

The Convener: Next week, 17 November, is not a runner. We investigated meeting on 1 December, but because 30 November is a non-parliamentary day, there is enormous congestion on the following day. That takes us to 15 December. Are we in recess by then? No.

If I read the committee correctly, members

would like to meet on one of the Wednesdays on which we are not already meeting. We will ask the clerks to arrange that for as soon as possible. We agree the remit of that inquiry with that alteration. The clerks will draw up a list of witnesses. If members want to input to that, they may.

Miss Goldie: I want to clarify a point about witnesses. As Allan Wilson will recall from the famous public meeting that we attended on Arran, one of the community's concerns was that we should take evidence from the oil distribution company. Is not that correct, Allan? We need to be sure that the list of witnesses includes such bodies.

Allan Wilson: I support that proposition. We need to get evidence from groups with different viewpoints. Given the work that we have done on Arran, I suggest that we invite the community organisation there that pulled together the various interests to give evidence at the inquiry.

Elaine Thomson: Will we offer to hear evidence from the local community in Arran via videoconference, rather than asking people to travel to Edinburgh?

The Convener: The clerks will investigate that and provide us with some advice.

Mr Davidson: I am the former founding chairman of the Association of Scottish Community Councils, which has set up an organisation, with a base in Edinburgh, that regularly takes evidence on various issues from all 1,200 community councils around Scotland. It may be possible to elicit some response by circulating a letter through the association's local secretaries.

The Convener: I thank members for those suggestions. The clerks will take that forward and bring proposals to us for our consideration.

Duncan McNeil raised the issue of the announcements made by National Semiconductor at Greenock and proposed an inquiry. We have received a letter from the Minister for Enterprise and Lifelong Learning which has been circulated to members. We can take the issue forward by hearing what National Semiconductor has to say, perhaps at the end of one of the meetings that is already scheduled. We can then decide whether we want to take any further steps and examine the issues that are raised in more detail.

Mr McNeil: There appears to be a trend in the communication that we receive from the minister's office. When can we expect the next slump? What will we do when it comes? Do we just pack up these factories and walk away? That is the kind of issue that I want us to explore. The inquiry needs to be broadened out to examine some of the other companies in the field and hear input from other businesses.

13:00

The Convener: Are we agreed that we will do further work on that subject and that we will put together a list of witnesses at a later date?

Members indicated agreement.

Mr McNeil: The semiconductor industry is a massive employer.

The Convener: Exactly.

We do not have an agenda item for any other competent business, but I know that Margo Macdonald has something to tell the committee.

Ms MacDonald: I attended a seminar at Napier University last week, at which I met Graham Hills, the former vice-chancellor of the University of Strathclyde. Having heard him speak, I thought that we should invite him to address the committee at some point, as what he has to say about lifelong learning as an integral part of economic development is in a different league from what we have heard so far.

Miss Goldie: Who is he?

Ms MacDonald: His name is Graham Hills. He is now associated with the University of the Highlands and Islands. Everything that he says pulls the issue together. He would be an excellent person for us to talk to at some point.

Mr Davidson: Graham Hills wrote to me a couple of weeks ago and supplied me with a load of notes and comments. I will pass them to the clerk for circulation around the committee.

The Convener: There are many people from whom we will want to hear. We will certainly take note of Margo's point and see how that can be integrated into our work.

Thank you for your co-operation.

Meeting closed at 13:02.

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