

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 9 February 2000
(Morning)

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE

4th Meeting 2000, Session 1

CONVENER

*Mr John Swinney (North Tayside) (SNP)

DEPUTY CONVENER

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

COMMITTEE MEMBERS

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

*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)

Rhoda Grant (Highlands and Islands) (Lab)

Andrew Wilson (Central Scotland) (SNP)

WITNESSES

Bruce Armitage (Grampian Enterprise Ltd)

Bill Ferguson (Aberdeen Enterprise Trust)

Ed Gillespie (Grampian Enterprise Ltd)

Andrew Goudie (Scottish Executive Chief Economic Adviser)

Amanda Harvie (Aberdeen Chamber of Commerce)

Ian Howie (Scottish Executive Business Growth Unit)

Gordon McIntosh (Aberdeen City Council)

CLERK TEAM LEADER

Simon Watkins

SENIOR ASSISTANT CLERK

David McLaren

ASSISTANT CLERK

Mark MacPherson

LOCATION

The Hub

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 9 February 2000

(Morning)

[THE CONVENER *opened the meeting at 10:03*]

The Convener (Mr John Swinney): Good morning. I bring the committee to order and commence the fourth meeting of the committee in 2000, in session 1 of the Scottish Parliament.

Local Economic Development (Executive Action)

The Convener: We have a fairly full agenda this morning, so let us proceed with the first item on the local economic development inquiry—complementary actions by the Executive. This morning, our witnesses are Andrew Goudie, the chief economic adviser at the Scottish Executive, and Ian Howie, the head of the Scottish Executive business growth unit. At our previous meeting, we considered it important to appreciate fully the context in which the Government is considering economic development policy in Scotland and to hear from these two civil servants who are involved in the Government's consultation process.

Before I ask each of the witnesses to make introductory remarks, I apologise for the glaring sunlight to which our witnesses, members of the public and the press are being subjected. For once, we had prayed for a rainy day in Edinburgh—sadly, the weather has defeated us again. I hope that it is not too inconvenient.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): For the record, I declare a potential interest—I am a member of the Federation of Small Businesses, the Forum of Private Business and the Scottish Council Development and Industry.

The Convener: Thank you.

Andrew Goudie (Scottish Executive Chief Economic Adviser): It may be helpful if I explain that the prime purpose of the framework for economic development is to provide a framework for the thinking of the Scottish Executive on economic development matters. There are two sides to that work. First, we will consider the primary determinants of economic development, the full range of those determinants and their

importance and priorities. Secondly, we will consider the objectives of economic development, looking beyond the income and employment functions of economic development to some of the Executive's broader objectives on social justice, sustainability and so on.

The ultimate objective is to provide a framework and guidance for the more detailed work that will be carried out at what I call the lower levels. Of necessity, our work is fairly high level. It sets an overall framework, or umbrella, for the detailed work at a lower level. It will not go into the minutiae of individual policies, whether they are to do with enterprise development, birth-rate strategies or skill strategies and so on: I would consider that would be more specific work. I hope that it will provide overall guidelines within which those individual pieces of work will sit.

I will make a few general observations about our work and our intentions. First, we intend that the framework should encompass all of Scotland—the central belt, rural areas and the Highlands and Islands. Secondly, it is important that it should be seen in the context of an evolving economy—not the economy of 20 years ago, but an economy that is moving rapidly. Thirdly, the work should pick up all the sectoral interests and concerns within Scotland. Therefore, it is a national strategy.

Members will not be surprised to learn that a great deal of work exists at the lower level—the more specific pieces of work—and the intention of the framework is to build on the work that has been undertaken, not necessarily to maintain the status quo, but to provide a framework within which thinking can evolve in future. As further rounds of strategic, more detailed thinking at those lower levels take place, this work will provide a framework for that evolution of thinking.

If members would like, I can say more about our consultation process and about the timing of the work that we are conducting.

The Convener: Please do so. We will then have questions.

Andrew Goudie: One of the key principles behind the framework was to be as open and as wide as possible in consulting all the interested groups in Scotland. I will pick up four different strands of the consultation process.

First, we have a small reference group that is guiding the process, with which we discuss how we go about the consultation. Unlike with other strategic work, we do not have an expert group; the work on the knowledge economy, for example, is guided by an expert group.

Secondly, since early December, we have been conducting fairly intensive face-to-face conversations in, I hope, a fairly methodical way,

with some of the key groups in Scotland that are involved in business, academia and so on. Those were one-to-one meetings or small group meetings that usually lasted for a couple of hours or so. We tried to give people the opportunity to talk as frankly and as openly as possible.

Thirdly, there was a desire to have a seminar of some sort at which different interest groups could interact with one another and with the Minister for Enterprise and Lifelong Learning. We have organised such a seminar for next week at which internal and external interested groups will get together with the minister to discuss the key elements of the framework.

The fourth element—of which members might be more aware—is the consultation document that we put on the Scottish Executive's website. The document was designed to give all those we could not meet face to face a chance to contribute to the process. We publicised our work as much as possible so that people were aware of what was going on and of the website.

Members will be aware that some of the speeches made by ministers in Parliament have drawn attention to the work that is going on. Ministers have also made speeches elsewhere on the subject—for example, at a conference held by the Royal Bank of Scotland in December. I should, for the sake of neutrality, mention the fact that the First Minister made a speech at a dinner given by the Bank of Scotland. The review has also been publicised in the recently published "Scottish Economic Report". The report contains a section that highlights what we are doing and invites consultation and contributions.

We started face-to-face consultations in early December and the website has been on line from 7 January. The website invited submissions, for which a deadline of 6 March was set. We will use the submissions and the knowledge that we have gleaned from other parts of the consultation process to draft a submission in March and April. We will present the submission to ministers in the middle of April. After that, it will be for ministers to take the process forward, but I understand that ministers would like the framework to be in the public domain in June or July.

The Convener: We will ask questions on your submission and we will then hear from Ian Howie.

I would like to ask about the likely output of the exercise. Some of the issues were touched on yesterday's meeting of the Finance Committee, which a number of us attended. If I understand you correctly, you will be painting an analytical picture of Scotland and its economic base and of some of the challenges that the economy will face. That picture will allow ministers and Parliament to have a more informed and structured debate

about the types of economic strategies and policies that might be pursued. Is that a fair summary of what you are working towards?

Andrew Goudie: Yes. We will try to identify the main challenges. The work might go further than you suggest, in that ministers will want to articulate the vision of what the Scottish Executive wants to achieve in economic development. The work will also spell out some priorities in terms of the key intermediate steps that must be taken to realise that vision.

The report that will be produced is intended to stimulate debate. It is hoped that the consultation will encourage consensus and that people will agree with the findings in the report.

10:15

The Convener: Are you satisfied that the existing information base will enable a comprehensive economic framework for Scotland to be produced? Or is the exercise on which you are working likely to throw up aspects of information that would have to be gathered in addition to the information that was published—in a more user-friendly format, I must say—in the economic bulletin in January?

Andrew Goudie: The consultation process has thrown up the fact—which we were aware of, to some extent, before we embarked on the work—that there are areas in which more detailed work that would allow us to understand the mechanisms and key linkages in the economy would certainly be very valuable. Some common understanding exists throughout the academic and business communities, as well as in the Executive, that it would be good for more work to be done in certain important areas.

The framework will build on existing, available knowledge but, as we have often made clear, we are trying to develop the statistical basis for what is going on and to relate the strategic and policy thinking much more closely to the better evidence that, I agree, is required. The Scottish economic statistics that are coming out next month, for example, will draw attention to the fact that that is what we are trying to do.

Ms Margo MacDonald (Lothians) (SNP): I apologise for being late.

Is the framework a sort of seven-year plan, in the way that the Soviets used to do things? Is it about the number of jobs that you are thinking of creating at the end of a given number of years? Or is it about deciding that a particular sector or market could grow by x per cent? What are the targets?

Andrew Goudie: One of the key principles in the framework is that—if the global context is

changing rapidly, and the products that are successful and competitive in the global economy today are not necessarily the same products that will be competitive in a few years time—one of the thrusts of our strategy should be to create a Scottish economy that has an advanced capacity to respond to those circumstances.

From that point of view, we will certainly not articulate a structure that we think will be appropriate in five or 10 years' time. We may note the fact that certain strengths exist and should perhaps be built on, but the document will certainly not aim to predict or guess what might be a good structure in five or so years' time. Incidentally, the framework is designed to consider a five to 10-year period; we are not looking just at the next year to 18 months.

That makes it all the more important that we do not try to define a particular structure. When we consider aspects such as management skills and innovation skills, the way in which commercialisation might take place and the creation and nurturing of companies, we do so in a much more general sense. Ministers are quite clear that the prime dynamic in the economy will be the private sector. What is important is to facilitate that sector's actions and provide it with the confidence to progress in ways that we may not be aware of at this time.

Dr Elaine Murray (Dumfries) (Lab): I presume that we are aiming for an overall economic strategy rather than trying to redo some of the work that has been done through the cluster networks and so on. I am interested in how that will interface with all the other work that is going on at the moment. You are obviously taking a lot of evidence from people in Scotland. Will you be looking at models of economic delivery outwith Scotland to find out how applicable they might be to our circumstances?

Andrew Goudie: We are doing a little bit of that. We have been looking at what has been happening in Ireland. We are also talking to people who have an interest in, but are resident outside, Scotland, in particular in London. Otherwise, it is true that most of our effort has been concentrated on people in Scotland; I accept that point.

Miss Annabel Goldie (West of Scotland) (Con): To follow on from Margo MacDonald's question, I understand fully what you are talking about—at least, I think that I do—but I am not quite clear what the future of this document is. It seems to me that it could lie on a library shelf and just be the Executive's aide-mémoire for when it wants to make an announcement about the economy. In Scotland, commerce seems to be moving faster than any of us can quite appreciate. What input have you had from the business

community? If the document is to have any credibility, it is important that the business community does not just regard it as another bit of Government bumph.

Andrew Goudie: I agree that it is important that this document is not left on the shelf, and I think that ministers are aware of that. Although this is a high-level document, which must not get into the minutiae of individual initiatives—other documents may do that—a challenge over the next couple of months will be to find clear ways in which the document can be followed up and taken forward over the next few years.

On the role of the business community, in the consultation that we have undertaken I have met representatives of most of the major umbrella business groupings and some individual enterprises, and plan to meet others in the next month or so. Some groups will be fairly obvious to members, such as the Confederation of British Industry, the Federation of Small Businesses, the Scottish chambers of commerce, and Scottish Financial Enterprise. I have been surprised by the enthusiasm of the business community for this work. I believe that it wants to be involved and appreciates the fact that we have consulted it. Once we have drafted a document with which ministers are content, it will be important to involve the business community in the process of taking forward that strategy. We must consider carefully how we continue liaison with business and other groupings.

George Lyon (Argyll and Bute) (LD): Yesterday, Graham Leicester talked to the Finance Committee about the measurement of outputs of policy in Scotland. First, can the effects of policy on the Scottish economy be analysed? Secondly—this overarches my first question—can the performance of the Scottish economy be measured separately from that of the UK economy? Are there enough statistics to allow that to be done, or is the Scottish economy so integrated with that of the rest of the UK that it would be difficult to establish the effect of policy decisions on the Scottish economy?

Andrew Goudie: We can say a reasonable amount about what is happening in the Scottish economy, although I do not pretend that the statistics that we have on that are perfect. A key chapter of the report on Scottish economic statistics that will be published in the next month articulates a development strategy for economic statistics. To ensure that the process of evolving statistics in Scotland is open, we will call together an external group of interested people, many of whom you know.

In fairness to my colleagues, I must say that many of the statistics that are produced are surprisingly good. Before May 1999, they were

very good in comparison to those in other regions of the UK. We accept that the position since May 1999 has been different, which is why we are undertaking this programme of development. In the "Scottish Economic Report", which came out about a week ago, we presented much of the information that we have about the Scottish economy, and put some text around the numbers to show our interpretation of what was going on. The document on Scottish economic statistics will provide raw data. We have a reasonable volume of data, which—this is a key point—is of reasonable quality. That allows us to identify trends in output, employment, productivity and so on.

On your first point, I think that you asked how well we understood the effect of policy on different economic indicators. One of the prime conceptual problems is attributing any particular outcome to any particular policy. There is not a simple one-to-one relationship, which would make that analysis easy. However, in many areas we have some understanding of the relationship, although it is not exact.

Margo MacDonald asked about specific targets. Ministers have not made a decision on that yet, but one of the considerations will be how well we understand the linkage from policy to outcome and whether we can set a meaningful numerical target. It is important that we do not pretend to know more than we do about the nature of that linkage—we have some understanding of it, but I would not exaggerate the preciseness of that understanding.

The Convener: On a more general point, are comparable processes used in other Government communities whereby the ability to assess the linkage from policy to output is stronger than is the case in this country?

Andrew Goudie: I hesitate to generalise, but my impression is that the attribution problem is a difficult one in every country. One can adopt a simplistic approach and ascribe any change to the policy in which one is interested, but the reality is that most policy objectives are the outcome of a range of different variables. It would be a mistake to exaggerate the extent to which we can assess the link with any precision—we are not alone in that.

George Lyon: You did not address the point about the separateness of the Scottish economy from the UK.

Andrew Goudie: I am not sure that it is a problem that the Scottish economy is highly integrated with the UK economy and with the European Union and global economies.

This is a question about whether statistics can measure the nature of progress within Scotland.

There are many examples around the world of economies that are as open and integrated as the Scottish economy. Most economies are becoming increasingly integrated with other economies; that is a natural process.

The degree to which we can describe and measure progress within the Scottish economy is to some extent independent of our integration with other economies. However, we could consider a specific statistic, such as gross national product. I do not know whether members have this in mind. Although we may be relatively confident about gross domestic product, there are aspects of integration with the UK that make the measurement of GNP especially problematic. Whether we can do more about measuring GNP is under review. There are some variables—such as GNP—where the degree of openness makes it difficult to measure flows of particular incomes, or whatever. Many other variables are not especially dependent on this type of problem.

10:30

Allan Wilson (Cunninghame North) (Lab): The question has been raised of how the framework should incorporate the lessons of past successes and failures for the purposes of future economic development.

I have two questions. The first is on the business birth rate and the widely accepted view that in west central Scotland a cultural change is required, which should arguably be instigated in schools. How will the framework and the people running the framework—the small group that you refer to—link with, for instance, the Minister for Children and Education in relation to issues of joined-up government? I am thinking of legislation that will be needed to bring about the cultural change that will be necessary to boost entrepreneurial skills in schools and beyond. We will discuss that when we talk about the Standards in Scotland's Schools etc Bill.

My second question concerns the way in which the framework links to on-going work. This committee has undertaken an inquiry into the effectiveness of the delivery of local economic services. The framework is designed to develop a strategy, but below that strategy it is crucial to have the right models in place to deliver the aims and objectives that are ultimately determined by the strategy. How do the framework and the inquiry correlate?

Andrew Goudie: I mentioned earlier that we are inclined to consider the full range of determinants of economic development. We should not narrow the report down to a simple interpretation of what drives economic development, but should try to embrace the full range when we think about what

is important and about what the contribution of the Executive should be. From that point of view, the joined-upness, if you like, of what we are doing will be considerable.

If ministers feel that the educational aspect of the framework is important, I imagine that they will give it the priority that it deserves. I cannot speak for ministers, but my understanding is that they would want to represent the full range of determinants irrespective of where responsibility may lie within the Executive. A related issue is the fact that there are many specific aspects of work that go on in the departments of the Executive to which there is an economic development dimension. At the moment, that may not be as fully taken into account as it could be—perhaps it is. A better understanding of this is something that will flow from this work, where we will develop these linkages more clearly. The framework will filter into the Executive's thinking.

Your point about on-going work is very important indeed. It relates to a question from your colleague a moment earlier. One of the intentions is that, by providing this overall piece of work with a vision and an objective, it should drive the thinking through the system. Obviously, it provides the broad parameters, not the detail. The thinking is—and the minister will comment on this when he meets you—that the framework should provide the context in which the discussions on implementation take place.

When we are talking about the mechanisms whereby economic development is implemented, the objectives of that process are fundamental to that discussion. It is my understanding that the framework will feed into that thinking. The timing is pretty similar, and within the Executive officials are talking about getting this process into sync. We are conscious of the fact that this piece of work needs to inform that piece of work.

The Convener: Andrew Wilson will be the last questioner in this part of the debate. In the next section, I will give priority to those who have missed out in this section. I apologise to those members.

Andrew Wilson (Central Scotland) (SNP): I want to tease out a couple of the points that you have made, and to get an indication from you of what you think will be shifted and changed in the process that you are undertaking.

The issue of economic statistics was raised by a couple of members. What is different about the evolution process, which you have signalled that you will undertake, from what was going on already? When do you think that will come to fruition? This debate has been running for many years, not only from the advent of the Parliament.

Elaine Murray made an interesting point. You

mentioned, quite rightly, that you do not see much opportunity for the Executive's strategy to pick sectors in such a rapidly evolving global market. How do things rest with the cluster strategy that has been undertaken during the last couple of years? How do you see the two strategies evolving together? Most interestingly, from my perspective, how wide is your scope? How much are you able to do within Treasury guidelines on investment appraisal and the leveraging in of public funding? Do the guidelines enter into your thinking? Are you working within the constraints of what you have at your disposal?

Andrew Goudie: In one sense, there is no end point to the development of economic statistics, and therefore no point of fruition. It is a continuing process. You may be aware that a document on the Scottish economic statistics programme was made public 18 months ago, and it set out a strategic approach to the development of statistics. The first chapter of the Scottish economics statistics report, which comes out on 21 February, will set out an updated version of that strategic approach.

This year, the approach has been modified, in that we have deliberately tried to extend coverage to a broader range of economic statistics across departments. We intend to convene the first, more formal group of external advisers on the evolution of economic statistics in the early summer. The intention, as things evolve, is for us to meet them every six months.

Your second point was about the interaction between the cluster policy and the general approach here of not determining any specific structure through central planning. There has been quite a lot of discussion about clusters. It is not for me to address the policy in detail, but I will say that, at any particular moment in time, there are various strengths within the Scottish economy. Members will be aware that there is a degree of consensus on what those strengths are.

The Executive does not seek to take on the role of the private sector in determining where the economy might go in five or 10 years, but it can, as part of the general framework, set out the context and facilitate the process of achieving a dynamic economy. Encouraging the strengths in an economy is a natural thing for any Executive to want to do.

Your third point was about Treasury and investment appraisal guidelines. You will be aware that the Government economic service works to derive a set of guidelines, which are captured in the green book. You will be aware also that the Treasury is leading a review of the content of the green book, which is a process that takes place every four or five years. We are participating in the review, which will be completed in the early

summer.

The Convener: Thank you, Dr Goudie. I want to draw this section of the evidence session to a close, but I would be grateful if you would stay, in case there are any more general points once we have heard from Mr Howie.

I welcome Mr Howie, the head of the business growth unit at the Scottish Executive, and invite him to comment on the Government's work with small businesses. We will then move to questions.

Ian Howie (Scottish Executive Business Growth Unit): Good morning. My interests are more narrowly focused than Andrew's. He has painted the bigger picture, of which the small business policy and development is, of course, a part. It might be helpful if I say a brief word about what the unit does, and then say more about what we have been doing to develop small business policy in Scotland.

The Convener: The committee has before it the letter that the minister sent to me on 18 January regarding the small business service in Scotland. I say that so that you are aware that the letter is the only paper that we have in front of us on this subject. Please carry on.

Ian Howie: Thank you, convener. The business growth unit was set up to take responsibility for small firms policy within the department. As Mr McLeish said in the letter that you referred to, the aim is to give focus and drive to the handling of small business issues throughout the Executive. I hope that we are working towards achieving that.

Clearly, as a policy unit we have to work closely with the enterprise network on the delivery of business support to the small business community. We have worked closely with Scottish Enterprise, Highlands and Islands Enterprise, the enterprise trust network and others to take forward those aims. We have also worked hard to build close links with the business community itself through contacts with a number of organisations, including those mentioned earlier by Mr Ewing.

In terms of what we have been doing, the minister's letter sets out succinctly a range of policy initiatives that we have achieved or have planned. However, I wish to focus on two elements in the statement that is attached to the minister's letter, since they are particularly relevant to your wider local economic support review.

The first issue is the work that we have been doing with Scottish Enterprise to try to improve access to business support services throughout the enterprise network, and to improve the consistency and quality of that support throughout Scotland. Mr McLeish's statement refers to a number of new developments that are close to fruition. The minister will make an announcement

with more details on that matter in the immediate future.

The second issue that I wish to draw your attention to as a backdrop to the work that we have been doing, and the work that you have been doing, is the Department of Trade and Industry's proposal to establish a small business service in the UK. Clearly, we have had to have close regard to that development in taking forward our policies in Scotland, and I am happy to take questions on what the SBS might or might not do when it is set up and how it will relate to the Scottish scene. Indeed, I am happy to address any other points that arise from the minister's letter.

The Convener: I am grateful to you for being so brief, as it will allow members more time to pursue their lines of questioning.

Nick Johnston (Mid Scotland and Fife) (Con): I refer you to the draft article that was attached to the minister's letter, on which I have one or two questions.

First, I have a wider question, and it is one that I would like to put to Dr Goudie as well. How far has the Executive been consulted on the framework and on the small business unit? I am thinking in particular about the Minister for Children and Education and other ministers who have an interest in small business, beginning, for example, with the children who will be the future employees of small businesses.

Secondly, can you give us a little more detail on the £12 million that is available for small businesses, and to which the minister referred? Already, £2 million has been committed. Can you tell us what criteria have been placed on giving that money to business, and how the money is being delivered?

Ian Howie: On the first point, a large part of the role of my unit is to make sure that all policy developments that impact on small businesses are co-ordinated properly within the Executive. We have been working hard to ensure that within Government, that area of policy is fully joined up. Clearly, my unit is not directly responsible for a number of those issues, but we are hoping that the role of the unit increasingly will involve drawing strands together more tightly within the department.

The business growth fund is run by Scottish Enterprise and Highlands and Islands Enterprise and is accessible through the normal local enterprise company structure for small businesses. It provides loan funding of between £20,000 and £100,000 to businesses that have viable proposals but, for one reason or another, are unable to access sufficient funding from established sources.

A new business might have difficulty in obtaining bank funding because it lacks a track record or is unable to provide adequate security. The fund provides a mechanism to fill that gap in the funding market and works with other funding partners to help firms bring together a funding package.

10:45

Fergus Ewing: I should perhaps have added an interest as I am a partner in a small business.

Mr McLeish's papers focus on economic determinant factors and on the need to ensure that Scotland continues to be competitive. I am sure that we all agree with that. I have been made aware of representations to the Executive by the chairman of the Scottish Council Development and Industry with regard to a factor that he argues will put Scotland at a competitive disadvantage for the next five years: the decision that Mr McConnell announced on 8 December to set a business rate for Scotland that is 10.1 per cent higher than England's. It is 45.8p in Scotland and 41.6p in England.

That is not my argument, although I agree with it, but that of the Scottish Council Development and Industry and also of the Confederation of British Industry, the Institute of Directors, Scottish Financial Enterprise and the Forum of Private Business. I believe that the Federation of Small Businesses is neutral on the matter. How will the concerns of those organisations be addressed, given that the higher the tax, the less money there is to invest in Scotland?

The Convener: Mr Howie, I am not sure how much of that you will be able to comment on.

Ian Howie: The question does not deal with matters that are within my remit, although I am aware of concerns that have been expressed by parts of the small business community. The rationale behind the decision is to ensure that the overall take from the business community remains constant over time. The result of that, as Mr Ewing will know, has been a divergence of the rate poundage figure. I am not able to say more than that, as the other issues are beyond my bailiwick.

Fergus Ewing: I would like to ask Mr Goudie, who has a wider responsibility—

The Convener: No.

Mr David Davidson (North-East Scotland) (Con): Mr Howie, I would like to examine what your department is doing to ensure that delivery of and access to business support is uniform across Scotland. The committee has become aware of differences in delivery strands that are designed to be more locally effective. That is fair enough. While you are developing your plans for the small

business service, have you given any thought as to how you would like the situation to pan out?

Ian Howie: We identified some time ago the fact that this issue would require some degree of review. We set up a joint group with Scottish Enterprise to examine the role of the Scottish Enterprise network. The results of that are set out in the paper before us today. We were trying to make the structure more consistent and co-ordinated. We did not consider the bigger picture that the committee is looking at.

The work that we are doing with Scottish Enterprise will provide small businesses with a clearer indication of how they can get access to business support services and to some kind of minimum level of support that might be available across Scotland, while allowing local enterprise companies to tailor support to the needs of their areas.

We are trying to strike a balance between establishing a degree of consistency across the country and ensuring enough flexibility to deal with local needs and conditions. Our work is predicated on that approach, although we are working with the grain of the current system. We will consider carefully the committee's conclusions on the structure and whether it needs to be remodelled to meet the overall objectives.

The Convener: Is it the case that you have made no pre-judgments about those structures, before the committee arrives at its conclusions, which might challenge those conclusions?

Ian Howie: Far from it.

Mr Davidson: You pinched my supplementary question, convener.

The Convener: My apologies, David, I could not restrain myself.

Elaine Thomson (Aberdeen North) (Lab): Will you expand on the role of the small business service? I am not clear whether it will provide additional services or pull together services that are already being provided by several different agencies. How does it fit into the current provision and what exactly will it do?

Ian Howie: The small business service that the DTI proposes to establish from April has only partial relevance to Scotland. That is because one of the main roles of the small business service will be to co-ordinate local service delivery in England. It will have no direct remit in relation to local business support because of the enterprise network and the devolved nature of local business support in Scotland.

The small business service will impact on Scotland because of its other responsibility, which will be to act as a voice in UK Government for

small business. The SBS remit will cover reserved issues that impact on small businesses, such as employment law, tax and so on. It will also provide a mechanism to ensure that the needs of small businesses are fully taken into account when the UK Government is legislating on issues that may impact on them. The SBS will have no direct role in relation to devolved matters. There are some grey areas of overlap, but that is the basic picture.

Mr Duncan McNeil (Greenock and Inverclyde) (Lab): I want to follow on from David Davidson's comments. In our investigations we have heard evidence that the structures may be less important than the quality of information and support that businesses receive. What can you tell us about the introduction of quality standards across the network? How and when will that be established?

Ian Howie: I cannot say very much more than is set out in the statement, because we are working on those issues at the moment. We have some agreement that it is important to have consistent quality standards of business advice across the network. At its simplest, that means consistency in the qualifications of business advisers. If and when we move towards a system that sets out minimal standards for business advisers, we must ensure that it is introduced gradually. We will not move to a new structure from day one. We are currently working on the details and they will form part of the minister's more detailed statement on the matter.

Mr McNeil: At what level does that work? Is there an audit of current work? Are we establishing any baselines? How quickly do you expect to implement such standards?

Ian Howie: Some qualifications already exist and we might use those as the minimum or base standards for business advisers and business information officers, although they may have to vary according to the different roles that those individuals play. When we have decided on the appropriate qualifications, we would expect to implement the standards fairly quickly, perhaps from April. However, given that many individuals with varying qualifications are working in the system at the moment, it will take time to move to a slightly different system.

Miss Goldie: I am trying to tease out some factual information. Like Fergus Ewing, I should also declare an interest. I am a partner in a small business.

There are references to various groups. What about your business growth unit? What is it and who is in it?

Ian Howie: It is a standard division of the enterprise and lifelong learning department and is staffed by civil servants in the usual way. I head a small team of seven people, which deals with

small business policy.

Miss Goldie: Is there going to be a small firms consultative group?

Ian Howie: One of the minister's proposals is to set up a small firms consultative group that will bring together either representative bodies or small business experts to advise and discuss small business policy issues with the department. At the moment, we interrelate with a wide range of representative organisations throughout Scotland. The proposed group would be a mechanism for bringing that together into a single form, not to replace those bilateral contacts, but to complement the existing framework.

Miss Goldie: How is the composition of that group getting along?

Ian Howie: We are working on the remit of the group and its membership and appointment arrangements. We hope that the minister will soon announce some details of that.

Miss Goldie: What will business mentoring Scotland be?

Ian Howie: The intention behind that proposal is to provide small businesses, as they will be defined in the scheme in due course, with access to experienced entrepreneurs—people who have been there and done it—who are prepared to give small businesses their time to assist them in starting up or through a growth phase. We hope to have a large pool of mentors in place by 1 April so that, from that date, small firms that qualify for support will be able to access a mentor who is suited to their needs. The matching process will be crucial.

Miss Goldie: Will business mentoring Scotland operate under Scottish Enterprise or under your direction?

Ian Howie: It will probably be delivered through the Scottish Enterprise network and Highlands and Islands Enterprise. We want to ensure that it is properly integrated with more general business support, rather than being an add-on, stand-alone mechanism.

The Convener: This must be your final question.

Miss Goldie: I am sure that small business will be immensely cheered by the huge amount of attention that I have been paying to it. I just hope that there is not such a rammie in the playground that a fight breaks out.

My final question concerns regulation. What is the improving regulation in Scotland unit, who is in it and how will it link directly with what is happening in business? I know that an audit assessment will be done on every proposed legislative change, but how will that work?

Ian Howie: It is a new unit, separate from mine, that has been set up in the department to focus on the needs of business in relation to regulation so that, throughout the Executive, any policy developments or changes in legislation or regulations will take into account the needs of small business.

Miss Goldie: How do you assess those needs? Who do you speak to?

Ian Howie: The unit is in contact with the small business community, which can make representations as to the changes that it wants in relation to existing or proposed regulations. For example, I understand that the Federation of Small Businesses is putting together a submission to the unit, setting out how the department might improve the picture in regard to red tape.

Miss Goldie: Thank you very much.

Allan Wilson: My question is on the same theme as those of Elaine Murray and Nick Johnston. Our mission in life is to simplify and rationalise business support services. I am concerned that there is some confusion and overlap.

South of the border, the pre-budget statement introduced an enterprise fund and the small business service was set up. Are the enterprise fund moneys dispersed through the new small business service? Is the Scottish business growth fund the son of the enterprise fund, or is it completely separate? Will we revisit the business growth fund in the light of developments in the enterprise fund south of the border, and if not, why not?

11:00

Ian Howie: The DTI enterprise fund will be transferred to and delivered by the small business service when it is up and running in April. The enterprise fund is actually a collection of different funds that have different purposes. Some UK-based funds such as the small firms loan guarantee scheme, which has been operating for a few years, will transfer to the SBS as part of that package. Obviously, we have no direct interest in the funds that are England-only. We have a residual interest in the areas of the enterprise fund that have a UK application and we keep in contact with the DTI about the delivery of those funds in Scotland, but the business growth fund is a separate Scotland-only enterprise operated on this side of the border.

Allan Wilson: And it is additional to UK-based funds that are dispersed in Scotland through the enterprise fund?

Ian Howie: Indeed.

Ms MacDonald: I, too, am interested in the money because I have heard ugly rumours that the development agencies currently being set up in England think that a tremendous amount of money is spent on business and economic development in Scotland and—to put it bluntly—they want some of it. I would also be interested to read the breakdown that Allan mentioned to find out whether the Scottish business growth fund will receive proportionately the same amount next year as it did three or four years ago.

My next question is on a completely different issue. Can you explain the individual learning accounts to us? When we visited Fife recently, there was some confusion about how the accounts operate.

Ian Howie: The business growth fund, which was set up less than a year ago, will be allocated £12 million this year and the next two years. Beyond that, it remains to be seen how efficient the fund will be in addressing the funding gap. I would need to go away and compare the funding in Scotland with funding available through the enterprise fund in England.

The Convener: Could you write to the clerk with that comparative information?

Ian Howie: I am quite happy to do that.

As for the individual learning accounts, I cannot really answer that question because it does not fall within my remit in the department. My training and skills colleagues are much better placed to answer your detailed questions on that issue.

Ms MacDonald: It is just that, in his article, Henry McLeish says that the accounts have particular relevance to small businesses.

Ian Howie: This is an example of the disparate interests that we are trying to pull together in the department. However, individual policy responsibilities reside with other parts of the department. I cannot give you information on that issue.

Ms MacDonald: Who can? Which unit?

The Convener: There are some constraints to joined-up government, Margo.

George Lyon: I have a number of questions. Is the business growth fund targeted at new business start-ups or established businesses that want to grow? How much risk will be allowed to determine which firms qualify for support? Will the fund be targeted at particular growth areas or is the fund general to all?

Finally, I would like some clarification on the issue of business rates, which was mentioned by Fergus Ewing. The poundage rate is higher in

Scotland than south of the border to compensate for the different valuations that have been put in place. The net effect is zero; in other words, we will pay exactly the same in Scotland as in England.

Ian Howie: That is my understanding of the impact of the change in the rate. The business growth fund is not targeted at specific sectors; it is available to start-up companies or established businesses that meet the general criteria for the scheme. The standard conditions of additionality, displacement and so on, which generally apply in Government funding schemes, will apply to the business growth fund. There are, therefore, a number of hoops that companies will need to go through before they can demonstrate a need for the funding.

The fund does not necessarily exist to take on riskier projects, but simply those which, for one reason or another, cannot obtain sufficient funding from established sources. There is a question about whether it is an issue of risk.

Andrew Wilson: I would like to mention the role of the small business service in lobbying on reserved matters on behalf of the small business community. Given that the SBS will be directly responsible to a department that looks after only one part of the UK, what will be the relationship—apart from officials keeping in close touch—that will allow the various concerns of the small business sector here to have a direct impact? The lobbying that would happen would clearly be quite different.

The funds to which Ian Howie refers are filling gaps in the market. Most folk welcome that, but I would like to know how he thinks that will develop and correct market failure. In five years' time, will we be left with the same gap as currently exists? What is the link between putting the fund into the gap and encouraging the financial sector to fill the gap itself?

Ian Howie: As far as the small business service and matters reserved to Westminster are concerned, there is a role for the Scotland Office in representing Scottish interests in Whitehall. We will want to work closely with the small business service at an official level to ensure that the interface between reserved and devolved issues is properly catered for. We are also keen to try to get a Scot or someone with a knowledge of the Scottish scene on to the enterprise council that will advise the SBS. The council is an advisory group that will help to ensure that the work is properly joined up at the UK level.

I agree with Andrew Wilson about the business growth fund and addressing the perceived gap in the market, and that the objective is to demonstrate that it is viable for established

funding institutions to fund such projects. It is to be hoped that that gap may disappear in time, although it is difficult to say over what time. The success of the fund will demonstrate that those established funding institutions are viable and should be supported in the normal way, so that the market failure is corrected over time.

Marilyn Livingstone (Kirkcaldy) (Lab): Some of the committee's work has been on congestion in the market place and how small businesses can access support. The Scottish Executive's submission discusses the establishment of a single branch in the Scottish Enterprise network to help clarify the system and simplify access through a single gateway. Can you expand on that? How will that link with the committee's work and its findings?

Ian Howie: I cannot say much more than was set out in Mr McLeish's letter. We are examining that issue and the minister will make an announcement fairly soon, with Scottish Enterprise, on the details of the branding issue.

I do not think that that would necessarily cut across any wider, general recommendations that the committee may make in due course on local economic services as opposed to small businesses, which we are focusing on in our work.

The Convener: I want to draw this part of the meeting to a close, but before I do so I will make one comment for the *Official Report* and for Mr Howie to reflect on. It has become clear—if I may refer to our interim report—that the objective of this committee is to simplify, clarify and slim down the debate that goes on in the small business mind on how to access services. However, I feel that more congestion is emerging from some of the issues that we have chewed over this morning. I encourage Mr Howie and his colleagues in the Executive to reflect on the line of thinking that is emerging from the evidence that this committee is taking and to observe very closely the conclusions that we reach in our inquiry over the next couple of months. I hope that those can be integrated into the overall policy work of Dr Goudie and of Mr Howie's unit. I thank them both for their attendance. We now move to the next part of this evidence-taking session.

Local Economic Development (Grampian)

The Convener: We now move to a case study in a different format from those that we have already carried out in Tayside, Fife, Ayrshire and Renfrewshire, as we take evidence from representatives from the Grampian area. I welcome the delegation, from a variety of different organisations, that has come to us. I invite Ed Gillespie of Grampian Enterprise to introduce his team and to make some opening remarks.

Ed Gillespie (Grampian Enterprise Ltd): Thank you. On my left is Amanda Harvie, chief executive of Aberdeen chambers of commerce. Bill Ferguson is chief executive of Aberdeen Enterprise Trust. Gordon McIntosh is director of economic development for Aberdeen City Council. Bruce Armitage, who is a member of my staff at Grampian Enterprise, specifically asked to come along to talk about individual learning accounts. My name is Ed Gillespie, and I am chief executive for Grampian Enterprise.

The Convener: Thank you, Mr Gillespie. I understand that you will make some opening remarks, following which we will move on to questions. I ask you to keep your remarks brief, as there will be a number of questions.

Ed Gillespie: That is what I wanted to do.

The Convener: We were very pleased to respond to a request from Elaine Thomson for us to hear evidence from the Grampian area.

Ed Gillespie: Thank you. We have come along as a partnership to talk about how we are organised in the Grampian region with respect to economic development in general and new business start-ups in particular.

The north-east of Scotland economic development partnership has been on-going for some two and a half years. It was launched after wide consultation and we have adopted a joint economic framework that was published in February 1999. That framework dovetails completely with the strategic vision of the member organisations. The member organisations of the partnership are the two councils—City of Aberdeen Council and Aberdeenshire Council—the local enterprise company and the chamber of commerce: those are the four main partners in the economic partnership.

11:15

Out of that economic framework, a vision for the north-east was published in February 1999—which is in the documentation that the committee

has received from the various partnership members. The senior board of the partnership meets bi-monthly and typically comprises leaders of the councils and chairmen and chief executives of the organisations. The chief executives of the four members meet monthly, the executive team from each of the partners meets weekly, and we have divided our strategic framework into 10 major action areas.

The 10 action areas are reported on at our bi-monthly meetings and the responsibility for each is designated to a lead partner from one of the four partners. Those designations were decided at an away-day that we held, involving the staff of all the organisations working together, trying to employ the individual expertise of the individual members. The 10 areas of operational focus are: exporting, land and premises, transport, information and communications technology and e-commerce, communications, lifelong learning, business start-up, on-going business support, communications and lobbying, and branding of the north-east of Scotland.

That is what the partnership is about. Within the partnership we have set up those cross-functional teams. Amanda Harvie, as the chief executive of the local chamber of commerce, is leading on the branding of the north-east—that is an example of the way in which we work. The model for business start-up that is being used in the Grampian area provides another example of the co-operation that we have. Of the partner organisations, the local enterprise company, the chamber of commerce, Aberdeen Enterprise Trust and Aberdeen and Grampian Tourist Board are located in the same office. We also share a front-of-office business shop: the reception and business shop are at the front of the building and we share those facilities.

Business start-up in the Grampian area is delivered through four enterprise trusts. We have one representative of those four trusts with us this morning, as part of our partnership team—Bill Ferguson, the chief executive of the Aberdeen Enterprise Trust.

That is how the partnership works, and that is what we try to do. We believe that we are a good example of working in co-operation towards business start-up and strategic economic development in the north-east of Scotland. I shall stop there and open the debate to questions.

The Convener: Thanks very much, Mr Gillespie. I shall begin by asking a question on the delivery of service. I appreciate what you said about splitting the strategic framework into 10 action areas, and about the allocation of leadership to particular partners within your partnership. Are any services provided by more than one organisation in your area? For example, do two organisations provide business start-up advice, or are two

organisations involved in the development of visitor attractions?

Gordon McIntosh (Aberdeen City Council): Exporting, perhaps, provides an example. Both the chamber of commerce and Aberdeen City Council organise trade missions, but that work is split into individual target sectors.

The Convener: So you might cover Aberdeen city, whereas the chamber of commerce might cover the county?

Gordon McIntosh: No, I mean the targeted sector. That is done on the basis of an export survey that we carry out every two years. That identifies the markets that businesses would like us to target and support them in.

The Convener: So you would not knock on the door of the same company more than once, unless you were to do so regarding different geographical areas that you might want to target?

Gordon McIntosh: Absolutely.

Ed Gillespie: Business start-ups are primarily delivered by the four trusts in a geographic split. There is one city trust, two regional trusts and a trust that covers the city and regions.

Amanda Harvie (Aberdeen Chamber of Commerce): On the export partnership, there is a co-ordinator who links the organisations together so that duplication can be avoided. Although we serve the same market, that is done in a co-ordinated way.

The Convener: You mentioned that the local enterprise company, the chamber of commerce and the tourist board are located in the same premises with a single front-of-house reception, but that the tourist board is not part of the partnership.

Ed Gillespie: That is correct. At the moment it is an economic development partnership. Although the partnership has been going for two years, we guard the partnership jealously in the sense that we have not opened it to too many members. We have had representations from a number of bodies who, in time, ought to be in the partnership. We are conscious that we should get the partnership functioning properly before we broaden its membership.

The Convener: Are you in a position to say which other organisations have made representations?

Ed Gillespie: Yes. Scottish Homes and the North East Housing Planning Alliance have both indicated that they would like to join. We review the membership of the partnership annually and then attempt to broaden it. We expect to do that this year.

The Convener: On tourism, how is the dialogue with the tourist board structured? Is there an agreed tourism strategy? Please excuse my ignorance of north-east Scotland, but is there a Grampian tourist board?

Ed Gillespie: It is called Aberdeen and Grampian Tourist Board. It has a published strategy, which we attempt to support when we can. There are, however, issues with the tourist board that need to be addressed outwith the partnership.

Gordon McIntosh: Perhaps I can expand on that. A business plan is developed annually with all the partners and the tourist board.

Marilyn Livingstone: You promote lifelong learning. What contact or partnerships do you have with the local colleges, the universities and the Employment Service? They are vital and I want to know how they link in with your strategy.

Bruce Armitage (Grampian Enterprise Ltd): Lifelong learning is one of the key elements of our strategy. Two colleges and three higher education institutions are involved in a number of local learning partnerships that support the north-east Scotland economic development partnership's strategy. In addition, there is a recently created forum that examines skills in Aberdeen and Aberdeenshire. We try to bring in institutions at operational level. Co-operation is good and there is a high level of joint planning.

Amanda Harvie: The private sector is also involved in that process through the chamber of commerce, particularly in relation to on-line learning. We work closely with our NESDEP partners and in particular with the enterprise company and the universities and colleges. That is another example of the joined-up approach that NESDEP exemplifies.

Bruce Armitage: We have made good use of European social funding to promote the use of on-line learning. We have put particular emphasis on some areas of Aberdeenshire where remote learning is a requirement rather than a luxury.

Marilyn Livingstone: Do you see the colleges and universities joining NESDEP?

Ed Gillespie: In time, they will be considered as candidates. They have not made a formal approach to us. The only formal approaches that we have received are the two I mentioned.

Amanda Harvie: It is important that the NESDEP model does not replace the individual organisations. It was decided at the start that we would take an integrated approach and share ideas.

Miss Goldie: What is NESDEP?

Ed Gillespie: It is north-east Scotland economic development partnership.

Amanda Harvie: We wanted to develop a shared strategy and vision so it was important to have a coherent partnership framework in place from the start. Once that is established—which I believe has been done—we can examine the possibility of bringing other partners on board to make us even more effective.

The Convener: Margo.

Ms MacDonald: Who, me?

The Convener: Yes—you still answer to Margo, do you not?

Ms MacDonald: Aye, but you can call me madam.

The Convener: I could call you all sorts of things. Until 12.30, I can call you anything.

Ms MacDonald: I would like to return to tourism. I can see the logic of starting in Aberdeen and of saying that the partnership is an instrument for economic development. I caught the vibe that the partnership is about making and selling things, because you immediately went on to talk about exports.

In this part of the world—in Edinburgh—we see tourism as an instrument of economic growth, so we would not consider having a partnership such as yours without incorporating tourism. Why are you not incorporating it from the outset?

Gordon McIntosh: The tourist board covers an area that is slightly different from that of the other partners—it covers Moray as well.

Ms MacDonald: What is wrong with the folk in Moray?

Gordon McIntosh: As I was born and brought up there, I must say that there is nothing wrong with them. As Mr Gillespie said, the intention was to get the partnership working well from the start. There is every intention to include other parties, including the tourist board, as time goes on and as we develop. Tourism is seen as being very important to the north-east of Scotland.

Amanda Harvie: The chamber has been leading on the development of a strong regional identity for the area, as part of our economic framework. The tourist board is part of our steering group, at executive level. It is very involved in the consultation and in the strategy process.

Ms MacDonald: But did you not say that the tourist board is producing a separate business plan? Will you not be considering that, to see whether it comes up to the mark?

Ed Gillespie: That is not our role—we try to support the tourist board in every way we can. We

are not in conflict with it.

The Convener: To return to the first question, are your organisations involved in any kind of tourism promotion or tourism activities, in addition to what the area tourist board is doing?

Ed Gillespie: We are involved in supporting tourism because, as Margo would say, it is a key part of economic development.

The Convener: But are you doing that distinctively—

Ed Gillespie: No, we are doing it together. We agree on which part we will each play in that process. To answer honestly, the tourist board is not a member of the partnership at this point in time.

Ms MacDonald: We are just trying to find out why.

Ed Gillespie: We work together. We share the same offices, the same telephone number and we work to the same plan, but the tourist board is not part of the partnership.

The Convener: But you have a shared strategy?

Ed Gillespie: Yes.

Allan Wilson: As I understand it, the tourist board participates at an executive level, if not at a board level.

Amanda Harvie: There is close communication at that level.

George Lyon: I am trying to get the structure clear in my head, and to understand who does what and how the various organisations fit under the NESDEP heading. Four trusts, the local enterprise companies and the local authorities are all involved. Who does what? What is the relationship between them? What do the trusts do and what is their relationship with the local enterprise company and the local authority? What does the LEC do? Where do the local authorities fit into it? How do they all report back to the strategic bit at the top?

A nice easy one—how much money does each partner bring to the partnership? Who owns the trusts—is it the LEC and the local authority? We need more clarity on how it all works.

Bill Ferguson (Aberdeen Enterprise Trust): I can cover the relationship of the LEC to the trusts. There are four trusts in Grampian: Aberdeen Enterprise Trust; Enterprise North East, based in Peterhead; Gordon Enterprise Trust, based in Inverurie; and Kincardine and Deeside Enterprise Trust, based in Aboyne and Stonehaven, which is the southern part of Grampian. Those trusts reflect the old council structure. Originally, there were

four councils.

George Lyon: Is that where the trusts came from, historically?

Bill Ferguson: Yes. Aberdeen Enterprise Trust has been in existence for about 16 years. During that time, our sole focus has been business start-ups. Like the other three trusts, we have a contract to deliver business support in Grampian, to encourage entrepreneurship and to support businesses that are starting up. The four trusts are the only providers of that support in Grampian. We work closely together, with meetings every three months between our staff and at chief executive level. We have a common task force, which tries to raise awareness on marketing, and we have integrated training programmes in place.

George Lyon: Who is your contract with?

Bill Ferguson: Our contract is with Grampian Enterprise, which is the local enterprise company.

George Lyon: Does it have a stake in the trust?

Bill Ferguson: It has no stake in it, but about 80 per cent of our income comes from the contract with Grampian Enterprise. The other 20 per cent comes from the private sector. The other enterprise trusts' funding will be slightly different, depending on the areas of activity in which they are involved. The major focus for all four trusts is business start-ups. We have the same contract as the other three trusts.

11:30

Amanda Harvie: The chamber of commerce is the only private sector organisation in the north-east Scotland economic development partnership, representing the business view. We believe firmly that the buy-in and representation of the private sector is key to effective economic development. The chamber is committed to the NESDEP model and to our role in the partnership.

We take the lead in areas where our expertise is more appropriate. That is the model that we have expanded across the partnership. As Ed Gillespie explained, the chief executives meet monthly; we have a NESDEP board—comprising the chief executives and the key members of the individual organisations—and executive working teams, with different lead organisations pursuing the most effective means of reaching our end goals as quickly as possible. That avoids duplication and encourages efficiency and a more coherent approach.

George Lyon: What does the chamber do? Does it deliver services? If so, which? What is the contractual relationship?

Amanda Harvie: The chamber's core services cover a wide range of business support activities.

Within the north-east Scotland economic development partnership, we lead the development of a coherent regional identity to bring economic value to the area. We are also heavily involved in the development of a strong skills base, contributing to lifelong learning and the knowledge economy. We are involved in international trade development, and particularly in information and communications technology training and skills. We also have a key role in influencing difficult policy areas, such as the development of an integrated transport strategy for the area. We are happy to play a central role in economic development and are committed to our partnership activity.

We are not an equal partner in terms of the funding that we are able to bring, because we do not have a public purse. There might be an argument in future about how the partnership is resourced. For example, the chamber could have responsibility for regional identity management.

George Lyon: How do you carry out all those functions if you do not bring any resources to the table?

Amanda Harvie: We input personnel, expertise and, to a small degree, funding—for example, we undertake market research into external perceptions of the area. We make a small financial contribution, but our main contribution is to represent the voice of the business community and to communicate the private sector view.

Gordon McIntosh: The north-east Scotland economic development partnership is still at an early stage, but we have made a good start. At the moment, the enterprise trusts are not members. I should also clarify that until nine months ago the chamber of commerce was not a member. It is now on board and we are expanding gradually.

One important thing that we do is to audit what we do. Two of the main areas of work are business start-up and business development. Our teams are examining ways in which we can work together more effectively. We do not have all the answers yet—we do not claim to—but our teams at the coalface are working effectively together to ensure that we deliver a better service to our customers, which, at the end of the day, is why we are there. We want to ensure that our part of the country is in a better position to compete than it would be otherwise.

The Convener: Which economic development services does the council provide?

George Lyon: That is what I was going to ask.

The Convener: I thought that that was what you were going to ask. I thought that I would ask it for you.

George Lyon: I want to get to the bottom of this.

Gordon McIntosh: We provide a wide range of economic development services. We have two functions. We have an economic development department, which delivers specific services across the four areas of economic development. We also have a wider role in economic development across the council. As one of the strategic development departments, it is our responsibility to co-ordinate economic development for our 10,000 employees. We have a wide-ranging role, from providing direct support on exporting and providing industrial property and land, to our broader role in environmental health and education/business partnerships. The local authority is involved in a wide range of services.

George Lyon: How does that sit with the LECs' role?

Gordon McIntosh: It sits very well. We identified that NESDEP had to play an important, co-ordinating role. If strategic issues arise at any time, NESDEP is able to meet quickly—as we have done in the past few weeks—and come up with solutions on how, as a partnership, we can respond to those problems.

George Lyon: How much money does each player bring to the table?

Ed Gillespie: The total budget for Grampian Enterprise in the current year is £20 million, which is the lowest per capita amount in the Scottish Enterprise network.

The Convener: I assume that the partners' budgets are held independently.

Ed Gillespie: Correct.

The Convener: So there is project funding as appropriate.

Ed Gillespie: Yes. If a project comes up and is progressed under the NESDEP banner, the organisations come together to fund it—we have done that on a number of occasions.

The Convener: What is the council's contribution?

Gordon McIntosh: The contribution to NESDEP is minimal—I think that we all put in £10,000.

George Lyon: What is the total economic development contribution?

Gordon McIntosh: The direct contribution from the economic development department's budget is £2 million.

Ed Gillespie: Have we covered all the questions?

The Convener: You must cover all my questions, or no one else will be allowed to ask any.

Dr Murray: I am interested in whether NESDEP differs from economic forums in other parts of the country. Some of you operate out of the same building—is that different from models of economic forums that exist elsewhere? Although I do not want to labour the point, I am a little surprised that some of those forums do not include tourist boards.

How does that overall strategic planning translate into the experience of a small business going to the enterprise trust for assistance with the start-up process? Is the enterprise trust able to guide the applicant through the entire procedure—dealing with planning and so on—or does it act as a signpost to the other partners within the development partnership?

I noted that the council appears to have a role in relation to exports, which might be unusual in comparison to other areas where exports might not be seen as the council's responsibility. Do the witnesses have any comments about the strengths of the council's involvement?

Ed Gillespie: I will ask Bill Ferguson to talk about the role of the trust and new business start-ups first and then I will touch on how the partners come together. We will come back to exporting at the end.

Bill Ferguson: One of the benefits of the trust structure in Aberdeen and of operating collectively is that the partners are in the same building. We have a good relationship with the LEC and are able to signpost people to the resources that they require. We have our own in-house funding capability and an equity relationship with LINC Scotland. We have a property relationship with the city council and local private providers of property.

The partnership is strong—that is where we bring value to business start-ups. We clarify the confusion that exists and tend to be the first port of call, if not directly, then through the business shop. The business shop is through the wall from our operation. We can progress issues and introduce the business to the next stage of development.

The Convener: What is the difference between the enterprise trust and the business shop, in terms of service provision?

Amanda Harvie: The business shop provides business information. Businesses that require specific hands-on advice for start-up are then signposted to the enterprise trust. However, the two organisations are in the same building and work closely together, so there is an interrelationship.

The membership of the chamber is made up of existing businesses, which are fed into the system as appropriate. The fact that we have a close partnership means that we can work effectively—it

avoids duplication and injects clarity, so that businesses are not passed from pillar to post.

Gordon McIntosh: I will deal with the question on local authorities' involvement in exporting. It is fairly extensive throughout Scotland. A major subgroup of the Scottish local authority economic development group—a trade development subgroup—deals with that throughout Scotland. The missions and exhibitions that it organises throughout Scotland form a major part of the Scottish programme for exporting.

Dr Murray: You do that as part of a central organisation?

Gordon McIntosh: Absolutely. It ties in closely with what Scottish Trade International does in its national programme. I sit on the Scottish export forum, as co-ordinator for all the Scottish local authorities. Local authorities in Scotland have a major impact in exporting. In Aberdeen and the north-east, Aberdeen City Council is involved in the promotional aspects, whereas Grampian Enterprise and the chamber of commerce are involved in business development in relation to exporting.

Ed Gillespie: We have an export partnership, in which we all participate. That partnership has recently been considering benchmarking the role model that operates in Fife, where all those involved are together in a single building, with staff provided by the partnership organisations. We are moving towards that, but we are not there yet. The partnership is saying, "Let us bring the resources together and focus them to get a bigger bang for our buck."

Amanda Harvie: The key issues are how we can communicate and provide easier access to the market that we want to serve and how we can engage with the business community more effectively, to provide it with a better service. Those are the issues that drive the initiative that we are considering at the moment.

Miss Goldie: I understand the strategic force of the partnership. I am interested in delivery. There are four enterprise trusts; I understand that those are the deliverers.

Ed Gillespie: There is only one business shop for new business start-ups.

Miss Goldie: There is only one business shop: is it in Aberdeen?

Ed Gillespie: Yes.

Miss Goldie: What happens in the peripheral areas if a business needs help? Who would they contact?

Ed Gillespie: If it was a small business start-up, it would contact one of the rural trusts.

Miss Goldie: One of the four.

Amanda Harvie: The chamber of commerce also has membership throughout Aberdeenshire and the north-east. We are able to support businesses outwith the Aberdeen city area as well.

Ed Gillespie: The contract for business start-ups is held by the rural trusts.

The Convener: If I had a company based in Fraserburgh that had 200 employees, who would help me if I had been in business for 10 years?

Ed Gillespie: In that instance, you would come to Grampian Enterprise, the LEC.

The Convener: Do you have an account manager system?

Ed Gillespie: Absolutely.

Amanda Harvie: We could all add services to the facilities that Grampian Enterprise could provide. For example, if that business wished international assistance, it might be appropriate for it to come to the chamber of commerce. Our signposting facilities are such that we are able to signpost businesses effectively to avoid duplication; we hope that we are a clear point of access.

Miss Goldie: What measures are in place to determine whether the business community in your area is satisfied with the quality of your output?

Ed Gillespie: One of the unique features of Grampian Enterprise is that it has a membership scheme. We have in excess of 1,000 members of the LEC. We have biannual meetings with the business community. We have meetings to seek out that knowledge. I recommend the membership scheme to the committee, because it means that companies in the area have some ownership of what the LEC does.

Miss Goldie: Is that membership greater than the chamber of commerce membership? Does it create a conflict with the chamber of commerce?

Ed Gillespie: No, because we have arranged with the chamber of commerce that it is one and the same membership. If a company joins the chamber, it has automatic membership of the LEC, so we share the membership.

Miss Goldie: Has feedback through that admirable scheme suggested difficulties in the system and possible improvements?

Ed Gillespie: There are always points of debate at our annual general meetings and half-yearly membership meetings. On most occasions, most of the feedback is positive.

Amanda Harvie: Chamber of commerce members welcome the reciprocal membership. It

gives them more bang for their buck and enhances the service that we give to them.

Ed Gillespie: Typically, we would have 600 people at our membership evenings.

Amanda Harvie: Chamber of commerce membership in the area extends to 1,300 companies and is growing all the time. It ranges from sole traders through to public limited companies.

Miss Goldie: Is chamber of commerce membership concentrated principally in Aberdeen? How many of your members come from the outlying areas?

Amanda Harvie: Our membership covers the whole of north-east Scotland. Our core membership is in Aberdeen, but we have members in Aberdeenshire and through a network of five affiliated chambers of commerce extending from Aberdeenshire up to the Highlands and Islands. They will shortly be joined by another affiliated chamber in the Moray area. We are able to offer services using the Aberdeen chamber of commerce as the hub.

11:45

Miss Goldie: Does that extend the benefit of membership of the LEC?

Amanda Harvie: Grampian Enterprise membership is not extended to the Highlands and Islands areas.

Ed Gillespie: The LEC membership scheme is available to anybody in the geographical area that the LEC covers, which is the old Grampian region in all but name.

Elaine Thomson: I intended to ask about exporting, but as we have already discussed that, I will move on.

Grampian is one of the areas that is doing a pilot study of individual learning accounts. Recently, the committee carried out a case study in Fife, which is the other pilot area. How are individual learning accounts working out in Grampian? What would ensure the success of the roll-out of individual learning accounts?

Bruce Armitage: We have been running the pilot for nine months. It is due to run until the end of June this year. We started out with a very tight client group, following the priorities set by the original papers on individual learning accounts and targeting individuals in employment who had low skills and low earnings. That proved extremely difficult—I will come back to some of the lessons that were learned from those early days. I have some comments about the roll-out that I hope will be helpful.

Following changes to the client group that were made by the Department for Education and Employment, we had to revisit the structure of our pilot. We now have 355 active accounts, and the vast majority of the holders are in training. By the end of March, we believe that we will have about 900 accounts in place, rising to 1,200 by the end of the pilot in June.

Some of our experiences provide a useful insight into the relationship between individuals—particularly individuals who have not engaged in learning for some time—and training. Based on the experience of the pilot, it is our firm belief that, although this is unashamedly an individual account and an individual entitlement, targeting the individual solely is not as effective as targeting individuals via their employers or other intermediaries such as learning providers. We conducted an extensive marketing campaign, which included television advertising, and had very little response from people who were current non-learners. We had some response from those who would have taken part anyway and were confident learners, but we did not reach those whom individual learning accounts can help most—people who are in employment but have relatively low skills and have not engaged in learning for some time.

The key lesson that we learned from our early experiences—it took us four months to learn it, because we needed to give the original scheme a proper try—was that working effectively with employers and intermediaries, as well as targeting individuals, is needed to make the 100,000 target for Scotland achievable by 2002. It also encourages and enhances partnership between learning providers, employers and the individuals. Effective relationships are beginning to be built with the trade unions in some larger employers. The trade unions are oiling the wheels of individual learning account applications—particularly in Aberdeen City Council, where Unison is heavily involved—and marketing them effectively to their memberships. Of course, that can happen only with the full and effective co-operation of the employer.

The Convener: Do members have any other questions on individual learning accounts?

Nick Johnston: I am very interested in ILAs. Like Margo MacDonald and Elaine Thomson, I visited the other pilot scheme in Fife. I am particularly interested in how you link the training to the aims of the businesses. If we are to use the ILAs effectively, they must further the aims of the businesses for which people work.

Bruce Armitage: I agree with that to some extent. There are two effective means of using individual learning accounts. ILAs must be run in conjunction with businesses. If all businesses

were fully co-operative and committed to lifelong learning, that would be the model that I would choose. That approach is proving to be highly effective with businesses in Grampian. We have put together work force development plans for those businesses. However, some businesses are not co-operative or committed to lifelong learning and it would be foolish of us not to consider ways in which individuals can learn, regardless of the attitudes of such employers.

Although we encourage a strong element of partnership between the business and the employee—a right and effective way to deliver individual learning accounts—we must also preserve the right of the individual to learn independently of their current employment, to further their career. That is important for the low-skilled and those who are non-learners—they might be afraid of learning. It is estimated that 35 per cent of the Scottish working population does not engage in any structured learning after leaving full-time education. Those are the clients whom individual learning accounts need to reach if the initiative is to be effective. If we can make effective information and support systems available to that client group, we can further the aims of the businesses that currently employ them as well as providing them with the opportunity to expand their career horizons outwith the context of their current employers.

Marilyn Livingstone: For the benefit of Nick Johnston, I want to clarify the point that, although ILAs are designed to support business, they are also designed to support individuals, assisting them in their personal development.

Ms MacDonald: Take that, Nick.

The Convener: That was a reprimand. We will save that debate for later. Are there any more questions on individual learning accounts?

George Lyon: You say that the target group is the 35 per cent of the working population that has had no engagement with learning or training after leaving school, yet your marketing campaign failed to elicit any response. That poses the question of how you will engage that group. If those people are involved with employers that are unwilling to engage in lifelong learning and they are unwilling to respond to a big marketing campaign—you said that it was advertised on television—how will you persuade them to come forward?

Bruce Armitage: To be fair to our marketing campaign, the experience of the first nine pilot schemes in England and Wales was exactly the same. It is a difficult client base to reach. The Department for Education and Employment has now made it a universal programme that is open to all. However, I still believe that we need to make every effort to reach the 35 per cent to which I

referred.

We need people on the ground. Grampian Enterprise is currently running the pilot scheme with no additional staffing. We are trying our best to work with the current infrastructure. However, I firmly believe that the guidance and support required for that 35 per cent of the work force is labour intensive and demands professional people on the ground. Marketing and information campaigns are valuable, but they must be backed up by people who can deliver the support to individuals.

Ms MacDonald: Can the employers you have found to be disinterested in individual learning accounts be divided by sector, or are they simply bad employers? Perhaps they see themselves as hard-up employers.

Bruce Armitage: Employers who do not encourage their employees to learn are well known to us. There is some sectoral concentration—small retailers, for example. I am not pointing the finger at anyone, but the small retail sector has great difficulty with staff replacement. It cannot respond to traditional modes of learning. We need to flex up the mode of learning. Backfilling in a small retail environment is extremely difficult, so attendance modes of learning are almost out of reach for small retail businesses, even before the issue of financing is addressed.

We need to work with the learning industry. We are working closely with the Scottish university for industry to flex up the way in which learning is accessed, particularly by using information and communications technology, and we are involved in a number of projects.

Some sectors are known to be problematic. There are also employers who do not believe that lifelong learning is the way for them. They have not rejected individual learning accounts, but remain averse to major investment in lifelong learning. Whether or not the mechanism is individual learning accounts, what is important is getting across the message about lifelong learning.

Ms MacDonald: When you talk about having people on the ground to stimulate the climate of approval for lifelong learning, are you referring to something like the opportunities centre that has just been established in Fife?

Bruce Armitage: More than that. In July 1992, in Union Street in Aberdeen, Grampian Enterprise opened Stepahead, which was the first high street training shop in Scotland. That shop remains open, there is another in Peterhead, and we recently opened a learning centre in Huntly, which is fronted by a Stepahead information shop. I strongly believe that we need to encourage adults

to get information and access to learning through a friendly retail environment. We have almost 50,000 customers a year across the three shops.

People then need to have their hands held and to be taken to the education provider, although we do not have the infrastructure to do that. We can identify learning opportunities for people and contact the learning provider. We have designated people at Aberdeen College, for example, who will meet people, but a number of people drop out somewhere between us and the education provider. We need to strengthen the link between information and guidance, and participation in learning. Something is missing in the infrastructure.

Mr Davidson: It is good to welcome my local troops down here. Grampian Regional Council had a strong unit for economic development, which appears not to have died away but to have split between Aberdeen City Council and Aberdeenshire Council.

You have all robustly defended the position that you can work intimately together, but you have also agreed that there is tremendous overlap. I am also aware of perceptions of overlap in different areas. Do you believe that NESDEP will eventually evolve into a more unified publicly funded unit, particularly as the two councils appear to have economic difficulties? Is that on your agenda?

Gordon McIntosh: Before reorganisation, we considered setting up a joint economic development delivery unit. Part of that proposal was for a secretariat for the information and research side, which was also an issue in the split caused by local government reorganisation. In effect, NESDEP is that secretariat, but without a fully staffed unit. We have considered establishing such a unit, and that might happen eventually. You are quite right that there are budgetary problems. We do not deliver the levels that we did before reorganisation. There has been a clear movement from delivery to co-ordination of the councils' broader economic development function, although we still deliver in certain areas.

Mr Davidson: In other words, you do not envisage NESDEP taking on the development activities of the two councils. Presumably you still enjoy the benefit of staff and other resources, but you expect that development activities will run along parallel lines for some time.

Gordon McIntosh: Despite the fact that I was the author of the original proposal, I see difficulties now that reorganisation has taken place. We still could deliver some of our services more effectively, but it is important that there is a link to broader council services as well, because, as I started to explain earlier, local authorities deliver a wide range of services. If you took it right out of

local authorities, you risk that connection with the other services that are provided by them. It is a bit of a quandary.

The Convener: Surely community planning addresses that?

Gordon McIntosh: Community planning has worked effectively, and is working effectively in the north-east in Aberdeenshire Council and in Aberdeen City Council. We are at an early stage, but we will deliver our community plan.

The Convener: Given that local authorities—rightly, in my view—are providing strategic leadership for the development of community plans, does that encourage the combination of services, or a rationalisation of the partners involved, to guarantee that while there is strategic focus, operational delivery is clear to those who are using the service? That is this committee's primary interest in this inquiry.

12:00

Gordon McIntosh: Yes, convener, but you have to look at community planning and how it relates to NESDEP, which co-ordinates the economic side of community planning. That is where NESDEP fits in, and it has yet to evolve.

The Convener: I understand that your organisation is at an early stage, and that community planning is at an early stage, but I am interested to know whether you are thinking about the consequences of a seamless, community planning mode of operation, which will result in changes to the configuration of services for consumers, and about how far away those changes are.

Gordon McIntosh: The logical outcome is that there will be change, although it is difficult for us to say when that change will happen, given that individual organisations have yet to consider the details of what is happening. However, the logical extension of what you said is that there should be change, and the indication from the work that we are doing, in terms of the broader audit within NESDEP, is that there will be change.

Ed Gillespie: We await the findings of this committee. We are here this morning to obtain a benchmark. We are saying: "We have a situation and are making the best of it. Here is an example of a group of people working in partnership. Try to maximise their deliverables." Logic dictates that the partnership should continue to exist, and that it should have a different structure in future.

The Convener: Sorry, David, I interrupted you.

Mr Davidson: You got me, convener. You are good at asking my supplementaries. The relationship in the north-east is a unique one.

Ed Gillespie: I think so.

Mr Davidson: It is important that the committee understands the outcome of that relationship, and its future perspectives.

Ed Gillespie: The key principle is that we work together towards a common aim. Yes, there are times when we have separate agendas, but there are 10 strategic issues on which we work together. There is no tension there. We co-operate fully.

Allan Wilson: I understand your point that you do not have all the answers, and neither do we, but you come here with a prospective model for the delivery of local economic services that can be applied elsewhere. Two issues arise from that.

The first concerns the relationship between enterprise trusts and the partnership. It seems that the trusts have no role in strategic economic development, because they are not represented on your board, but they are the agents chosen by the partnership to deliver business support. That gives you a rural dimension that otherwise you would not have, but at the same time, the trusts are, if not wholly owned subsidiaries of the partnership, 80 per cent subsidiaries, because 80 per cent of their equity comes from LEC and partnership contracts.

Secondly, how does the partnership address what seems to me, a west central Scotland guy, to be the disparate economic sectoral interests in your region? Are those interests addressed via the 10-point strategic programme for lead areas, or is there an additional designation within those lead areas to address those sectoral interests in your part of the world?

Ed Gillespie: The trusts have contracts to deliver business start-up. The model is worthy of note as they deliver that in an impartial, non-profit-making way under contract to the local enterprise company. That system has been successful, when judged by the number of start-ups that we have had relative to our population.

Allan Wilson: If you were dissatisfied with the delivery of service of the trust, would you withdraw the contract?

Ed Gillespie: Indeed, but we have not had to do that. We have 9 per cent of the population and 10 per cent of the business start-ups.

Bruce Armitage: In the past two years, we have used the trusts to introduce Investors in People support to small businesses that we in Grampian Enterprise do not have the staff to deal with. We fund the trusts to deliver Investors in People recognition for us in that small business sector.

Ed Gillespie: You asked about the economic area in which we work. The city of Aberdeen has, historically, been in a fortunate situation, with

lower unemployment and higher average earnings than the rest of Scotland. However, our studies indicate that that is unlikely to continue. We anticipate 1,000 to 1,500 job losses from the oil and gas industry every year from now to 2003. We have a fishing industry that nobody needs me to comment on and a rural hinterland that is in serious difficulty.

We are increasingly focusing on the issues of that hinterland. We need to find a way of developing a community capability. As farms fail—and up to 20 per cent of the farms in the north-east might not be there in two years—the communities and businesses that form around those farms become vulnerable. We have to tackle that issue. We do not have the answers, but we will focus on those issues and use our partnerships to help us do something about the problems.

Grampian Enterprise is looking to sustain a high quality of life for the people of its area. We do not want to have to deal with crises only when they arise. We have had some good times but the future looks a little bleak.

Gordon McIntosh: Aberdeenshire Council is not here today. It has five area offices with economic development representation that act as points of contact for businesses. It works closely with the enterprise trusts, is involved in the funding of the enterprise trusts and is part of the partnership.

The Convener: We have other substantial items to deal with today, so I will draw this part of the meeting to a close. I thank the witnesses for their attendance.

Standards in Scotland's Schools etc Bill: Stage 1

The Convener: The Education, Culture and Sport Committee is in the process of pre-legislative scrutiny of this bill and has asked us to consider whether we want to make a submission to it on the bill's content.

Having examined every section of the bill, as you would expect of me, I came to the conclusion—and the clerk has drawn my attention to the fact—that sections 3 to 7, on raising standards, are probably the most appropriate sections for our consideration. We might also reflect on the fact that it was not obvious to me where the lifelong learning agenda fitted into the content of this bill. Those struck me as the principal areas of concern for this committee.

We are not considering every section of the bill: that is not our job. Our job is to identify issues on which the Education, Culture and Sport Committee may want to reflect further, and to question ministers on the content of the bill.

Fergus Ewing: I think that we all share the bill's aim to raise standards. Among the papers that we have been presented with today is a copy of a submission from Iain MacKintosh, a partnership manager of the Inverness and Nairn, Badenoch and Strathspey Education Business Partnership, dated October 1999, which was part of the consultation process. His comments relate to the sections to which the clerk has drawn our attention. Broadly speaking, and without being too simplistic, he is recommending that business should have a role to play in ensuring that standards are raised. Perhaps that is one of the areas on which we could focus.

I suggest that the committee consider two general principles. First, should business be involved in the consultation process in section 5? Secondly, should business be involved in preparation of the development in section 6? If so, in what way? Who would speak for business, and how would they be involved?

Under section 50 of the bill, which was considered by the Subordinate Legislation Committee yesterday morning, there is power for the Scottish ministers to instruct the General Teaching Council to include other committees than the mandatory ones. It occurs to me that it might be relevant for us also to consider whether one of the committees that the GTC could or should establish would involve business issues in relation to schools and promote entrepreneurship.

Dr Murray: Both the submissions that we received from the consultation process were

useful. I agree with what Fergus Ewing says about the need to involve the business community and the views that are expressed by the business partnership. I am not, however, happy about its statement on the purpose of education, with which I would contend.

Several important points are made in the Scottish Trades Union Congress submission, concerning the interaction between schools and the wider community, and the breadth of the curriculum. I think that those points are well made and must be taken into account.

We should also consider the role of professional judgment in the setting of standards. The issue is whether standards are becoming too top-down and are not taking into account the professional judgment of teachers, in this case, or other professionals, in other spheres of local authority competence. Some of the points that have been made by the STUC are well made.

The Enterprise and Lifelong Learning Committee might have a wider focus than education. There are strengths and weaknesses in all structures, but the fact that statutory education is separated, in the parliamentary structures, from lifelong learning means that we should seek ways in which to bring those two subjects together.

The Convener: Your first point about the wider role of schools in the local community is something that comes within the scope of our interest. I am dubious about your second point on professional guidance on standards, as that is more directly an issue for the Education, Culture and Sport Committee. However, we can reflect on that point.

12:15

Miss Goldie: I endorse what Fergus Ewing said. I looked at sections 4, 5 and 7 and I feel that specific reference must be made to the needs of business. Although I entirely understand what Elaine Murray has said about education being a broad concept rather than being for a particular training need, we must not lose sight of eventual workplace and employment opportunities. I would like a specific reference to the need for business to be consulted to be written into the bill. Business should be one of the consulting bodies in determining national priorities and the individual education authorities' statements of improvement objectives and school performance.

I would like to make a specific point. I do not know whether I am alone in this opinion. When I was reading section 4, which is about national priorities—a helpful idea, which I applaud—I noticed that paragraph (a) says that the Scottish Executive

“shall define and publish priorities”,

while paragraph (b) says that it

“may define and publish measures of performance”.

I fail to see why that second paragraph should not also say “shall”. It is pointless to define and identify something and then leave it completely optional as to how performance is measured. That may be my singular view.

Allan Wilson: My points are not unrelated to what Fergus Ewing said, although I see our role more as impressing upon the Education, Culture and Sport Committee the importance of promoting entrepreneurial culture in our schools. Whether that equates with the needs of business is another issue.

When I read the response from the education business partnership in Inverness, I asked myself why only one education business partnership had responded. Is it not the case that those organisations are established primarily to reflect on those very matters? It may be worth suggesting to the Education, Culture and Sport Committee that it canvass the views of other education business partnerships in Scotland, particularly on encouraging entrepreneurial culture in schools in west central Scotland.

The Convener: The clerks have made a selection from the consultation responses, but only one from an education business partnership could be found. That highlights the very reason for our considering this bill. We have not quite got the focal point of business link-ups into policy making. It may be something to do with Inverness and its prestigious footballing tradition, but that was the only such submission that the clerks could identify.

George Lyon: Given that employability issues and enterprise culture have been debated in this committee, it must be implicit in the overall objective of the new education bill that business is involved somewhere. We have heard the cry many times in evidence that there is a great gap between the education and business establishments. There are common interests, and there must be some way of reflecting that in the bill. I support what Allan Wilson said.

Nick Johnston: I endorse what has been said. Surprisingly enough, I read in depth the submission from the Scottish Trades Union Congress. I endorse its view that the trade unions should also be involved in partnership with business.

The Convener: I shall draw the discussion to a close. Having gauged the feelings of members, I shall ask the clerk to write to the clerk of the Education, Culture and Sport Committee saying that sections 5 and 6, which refer to a consultative process on improvement of standards and on

school development plans, should also include reference to dialogue with representatives of business to guarantee that their voice is heard on those important issues.

We should also give a more general endorsement to linking the bill to the outlook for lifelong learning and the relationship between education and the workplace. We should emphasise the fact that the committee supports as wide a role as possible for schools in the local community, which meets some of our objectives on lifelong learning and providing greater access to services.

Fergus Ewing mentioned section 50 and the General Teaching Council. We might not want to include the point he raised in the text of the bill, but it should form part of the discussion between the Education, Culture and Sport Committee and the minister.

With those comments, I ask the clerks to formulate a letter to the Education, Culture and Sport Committee in the spirit of the remarks that have been made, and I thank members for their contributions.

Petrol Pricing

The Convener: The final item on the agenda relates to our discussion of 31 January on rural fuel prices. I should make it clear that, as with our discussion on 31 January, Nick Johnston has told me that he feels that it would be inappropriate for him to take part because of his registered interests. We note his discretion on that point.

The clerks have provided one committee paper on fuel prices in remoter rural areas. They also e-mailed us a note from Shell UK, offering the committee further information and a discussion on what it describes as a confidential basis about some of the issues we dealt with in our earlier discussion.

We have been joined by Rhoda Grant of the Rural Affairs Committee, which has a shared interest in this area of policy. We welcome Rhoda's participation in today's discussion.

After the meeting on 31 January, we asked the clerks simply to set down the issues that had been raised in the discussion. Members then had the opportunity to reflect on the *Official Report* of the meeting and to see which other issues struck them as relevant. At this meeting, we will discuss what further steps to take, having had time to reflect on the evidence.

I do not want to repeat what is in the clerks' paper, which summarises the issues very well, so I open the matter up for discussion.

Miss Goldie: I seek clarification from the clerk, convener. Among the potential solutions, variable rates of VAT are mentioned. It is quite correct that there are examples of variable rates of VAT elsewhere in the European Union.

Am I correct in assuming that there is no variable treatment of the excise duty element—that it is fixed—and that if any attempt were made to meddle with that, it would be seen as contravening the parity of treatment throughout the UK?

Simon Watkins (Clerk Team Leader): I have no idea what the situation is in Greece. I was trying to summarise the evidence that was given on the day.

Allan Wilson: I have some information on that. The harmonisation of fuel duty across the European Union is set by directive 92/82/EEC. I am reliably informed that the price for the European Community agreeing that directive at the time was the granting of two derogations, whereby some regions of Portugal and Greece were allowed to have fuel duty rates set at a different level from their respective national rates. The Commission has since made it clear that in no

instances will a further such arrangement be allowed, because it compromises the single market.

An attempt by the Dutch Government to seek similar derogation for its stations on the Dutch-German border was recently rejected because that would have constituted state aid. The only means of seeking derogation on fuel duty levels is through an intergovernmental conference, which, arguably, is not an option that is open to this committee.

The Convener: I suspect that that is a matter of opinion.

Fergus Ewing: I thought the debate last Monday was very useful. From what I gathered in the Highlands at the weekend, the fact that the committee took up the issue was much appreciated.

I want to make four points. First, the debate took place only last week. It would be useful to have more time for responses. A number of those who gave evidence indicated that they might want to take advantage of more time.

Secondly, Mr Holloway's evidence, in particular, indicated a series of other avenues of inquiry, which we should pursue. What was missing was evidence from people who run garages in the Highlands, whether as dealers, agencies or on some other basis.

Thirdly, one of the potential solutions was to support strategic networks. The idea was to have essential petrol stations, which would operate rather like sub-post offices, with the garage owners operating on a salaried basis. We heard that schemes of that nature operate in Finland and the Netherlands. It would be extremely useful to get some detailed information about how those schemes operate, to see whether something similar could be operated for the benefit of the Highlands.

Finally, the Office of Fair Trading inquiry is expected to report reasonably soon. We may want to take further evidence, having had the benefit of reading the report. I am not certain and the timing would be a matter for the committee.

George Lyon: We need more information about which tools are available to us before we can even consider some of the solutions. Allan Wilson has reported on the various things that the European Union may or may not say on the issue. We need to explore that a little further. My understanding is that some of the alpine regions of Austria and France have derogations on fuel duty.

I support Fergus's point. It is well worth seriously examining the nature of the schemes in Finland.

Although the investigation went quite well,

numbers were bandied about all over the place. I am as confused as ever about who gets what, what the rebates are, how they are decided and who is and is not free to set prices. The various companies gave us all sorts of conflicting evidence. We need to revisit the issue with them, the independent retailers and the retailers that are tied as franchisees to the majors. We must start to explore the numbers behind the rhetoric. What is the real situation?

Rhoda Grant (Highlands and Islands) (Lab): I agree with much of what has been said. It became quite obvious that prices change depending on where you live. If you live in an urban area, you get a rebate. That is not a level playing field. We must examine the situation further.

We need to consider all the options, such as setting up a different system of supplying petrol in rural areas or having local authority-run garages. We should not be too narrow at the moment. We should do a bit more questioning and examine further possible solutions. I also think that we should not let the oil companies off the hook for now.

Elaine Thomson: It would be extremely useful to examine in more depth how some of the wholesale pricing is arrived at, because the evidence was very confusing. Shell UK has offered to speak to the committee in confidence to explain its pricing structure, and it would be useful if other companies did the same. Perhaps we could also take some more evidence from individual garage owners, just to make sure that we have explored all the possibilities.

Dr Murray: I would be interested to receive some more information on the relative distribution of the ownership of garages throughout Scotland and whether they are owned by the petrol companies, franchisees or independent retailers, to find out whether there is any correlation between ownership and the way price structures vary.

Allan Wilson: We should take advantage of any further opportunity to discuss the fuel duty issue with the petrol retailers and oil companies. Elaine's point about garage ownership and its effect on squeezing margins was effectively made by the representative from the Petrol Retailers Association. We could develop discussions on that matter with both parties.

12:30

The Convener: I will draw this discussion to a conclusion. Like Fergus Ewing, I found last week's discussion very interesting. It did not close off the issue in my mind, and if I judge the committee's mood correctly, there is an enthusiasm to examine the matter further. However, that enthusiasm is

conditional on what the OFT does. I do not want to prejudge its inquiry; it would be prudent to wait for the outcome of that before we take any further public stages in our inquiry.

Notwithstanding those slightly reserved comments, I am keen to pursue this issue in the light of the OFT inquiry, if it does not deliver the desired results for organisations such as the Arran Council for Voluntary Service or the Highlands and Islands representatives who visited us. The presumption is that, if the OFT inquiry does not deliver, the committee will take further steps.

It would therefore be prudent to take some early steps to ask the Scottish Parliament information centre to provide some comparative information on essential petrol station schemes in Finland and the Netherlands and to investigate the issue of derogations that have been given to other parts of the EU.

Finally, I seek the committee's agreement to have private meetings with the petrol companies to investigate pricing issues. As the only offer on the table is meetings in private, we have to do things in a more limited way than we would like. We should sensibly take up their offer regardless of the OFT inquiry. I propose that we take up the offers to meet the petrol companies in private either as a full committee or as a delegation that would be representative of all political parties on the committee. Those meetings would be outwith our normal meeting programme so that it is not interrupted by this line of inquiry. Obviously, we will make it quite clear that, once we hear the outcome of the OFT inquiry and have had private discussions with the petrol companies, we will decide whether to have a fuller inquiry into the report. Is that agreed?

Fergus Ewing: I agree with everything you have recommended, apart from one point that makes me slightly uneasy, which is the issue of whether we take evidence in public or in private. Such is the public concern in the Highlands and Islands about the level of fuel tax and fuel cost that there might be a certain unease about taking evidence in private.

If we go along that route, what do we do with the information that has been given to us in confidence? If we say that we will treat things in confidence, we all agree that we have to abide by that. I am not sure how we would use the information.

The Convener: That is a difficulty, Fergus. We have a choice. If we go through the motions of having a debate in public with petrol companies who hide behind commercial confidentiality in response to every question, none of us will be any the wiser. If we take up the offer of hearing evidence in private, we are faced with the difficulty

of what to do with that information, but we might be encouraged to take a more public stance in scrutinising the petrol companies further to try to bring information that we learned about in private into the public domain.

None of us wants to have any more discussions in private than we need to, but we will not advance the debate by allowing petrol companies a platform on which they can hide behind commercial confidentiality.

George Lyon: I support your view, convener. We have a clear choice between no information or clarity. Those of us who are involved in business are aware that there are commercial considerations in making public exactly what is going on. We should take up the petrol companies' offer, even though we will have to meet behind closed doors.

Miss Goldie: This is a case in which ignorance is not bliss. I would rather get the information, although we will have to hear it in private. It will allow us to focus our work better and will let us know the extent to which we might be able to arrive at solutions.

Allan Wilson: I agree with what George Lyon, Annabel Goldie and you are saying, convener. I suspect that Fergus Ewing does, too. The situation is not ideal and it remains to be seen whether we will get information that we want and which we can use to the consumer's advantage, but we will never know unless we meet the oil companies.

Elaine Thomson: I understand the reservations about taking evidence in private, but Shell said that it would be happy to involve a representative of the Highlands and Islands Hydrocarbon Action Group. That would assist in some ways.

The Convener: That is a helpful point.

Does the committee agree to have a subgroup of this committee meet representatives of the petrol companies in private and to invite a representative of the Highlands and Islands Hydrocarbon Action Group, which has a vast amount of information on the subject? I will report back in as much detail as I am able. Does the committee agree to work on the assumption that, if the OFT inquiry does not produce the sort of response that is being sought by the Highlands and Islands Hydrocarbon Action Group and other witnesses, we will return to this issue at a later stage in the session?

George Lyon: Can we have clarification as to what responsibility would be placed on us by our hearing commercially confidential information?

The Convener: I will ask the clerks to make that information available to anyone who participates in those discussions.

Does the committee agree to the suggestions that I made?

Members indicated agreement.

The Convener: I will close the meeting. Thank you for your attendance.

Meeting closed at 12:39.

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