

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 22 March 2000
(Morning)

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE

7th 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

WITNESS

Henry McLeish (Minister for Enterprise and Lifelong Learning)

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 22 March 2000

(Morning)

[THE CONVENER opened the meeting at 10:03]

The Convener (Mr John Swinney): I call this seventh meeting of the Enterprise and Lifelong Learning Committee to order. I remind members that, particularly on a day such as this, they should not read newspapers during the meeting. They may, however, refer to yesterday's budget. The usual warning about mobile phones, pagers and so on applies.

The first item on the agenda is a notification of business to be held in private. It is proposed that we take agenda items 4 and 5—the discussion of the draft letter to the Deputy Minister for Enterprise and Lifelong Learning on the strategy for tourism and a discussion within the committee on the content of our final report on local economic development—in private.

Does the committee agree to meet in private on those two matters?

Members *indicated agreement.*

Local Economic Development

The Convener: We will now hear from the Minister for Enterprise and Lifelong Learning, Henry McLeish. Good morning, minister. I welcome you once again to the committee. We are pleased to see you today. Before we go any further, I invite you to introduce your colleagues.

The Minister for Enterprise and Lifelong Learning (Henry McLeish): I am accompanied by Ian Mitchell and Mike Foulis, from the Scottish Executive, and Nicol Stephen, the Deputy Minister for Enterprise and Lifelong Learning.

The Convener: Thank you.

The primary focus of our discussion this morning is the local economic development inquiry that the committee has undertaken. You will have seen our interim report, which was published in December.

We are at the stage in our inquiry when we are beginning to focus on our conclusions. We are anxious to ensure that our work becomes part of the wider debate that I know Mr McLeish has initiated on a number of other aspects of policy, in particular the review of Scottish Enterprise and the economic framework within Scotland.

I intend to permit members, within reason, to stray to some of the ground that Mr McLeish has covered in that debate. There are no firm boundaries between the local and the national perspective in many of the issues that we are discussing.

I invite the minister to make some opening remarks, after which we will proceed to a discussion.

Henry McLeish: Thank you, convener. I thank the committee for giving me the opportunity to speak to it again. All members of the team have benefited from their involvement with the committee. I would not want this to be construed as patronising—as you know, I am never patronising—but as far as we are concerned, the work of the committee has already been excellent. We are determined to work closely with the committee to ensure that we can tackle some of the serious issues in future.

I am conscious that we will want a question-and-answer session, but first I will make some opening remarks and try to give a flavour of the national economic context for the work that the committee is carrying out. I will then identify four areas to which we have given priority. That does not mean that the committee has to embrace those areas, but those priorities, which are at a national level, will filter down to a local level. I want to stress that we are preparing an economic framework for Scotland—we have discussed that, convener, and

I think that the committee is aware of it. The timetable for the framework will result in a report by July.

The Enterprise and Lifelong Learning Committee is finalising its report, which will be published in the weeks ahead. My review of the enterprise networks, which, in a sense, is about Scottish enterprise, is taking place. I have said publicly—and I repeat today—that I am happy to work with the committee's recommendations on local delivery and to make that the essential part of my overall review.

The area tourist boards and the Scottish Tourist Board, in the aftermath of the tourism strategy, are considering how best they can move forward. I have challenged them, as I have challenged other organisations, about whether they are appropriate, effective and relevant to the changing economic circumstances in Scotland and—probably more importantly—globally.

Complementing this complex picture is the recent appointment, of which members will be well aware, of Robert Crawford as the new head of Scottish Enterprise. Understandably, he is imprinting his own vision on the future of the enterprise network and has already undertaken some internal management reviews. In my judgment, those reviews do not cut across the work of the reviews that I outlined earlier, as Mr Crawford wants to ensure that he is examining Scottish Enterprise from an internal perspective.

Taking all of those points together, and given the reviews that we are undertaking, this is probably the most important time for local economic delivery in the past 30 years. This is a once-in-a-lifetime opportunity for any Administration or for any committee cycle; reviews are taking place of many organisations that are fundamental to the future of the Scottish economy and to the future of Scotland.

Against that background, we have prepared some papers on the economic framework. I will refer briefly to one of the papers that we put before the knowledge economy task force. I hope that that paper could be made available to the committee, because it tries to make clear that what happens at the local level in Scotland must never be looked at as merely local. The national priorities for the economy are important and must be reflected in any local economic delivery structure. Those priorities could be distilled into knowledge and innovation in the new, developing Scottish economy, and into productivity and performance.

It is clear that the future is about knowledge, ideas, innovation, learning and skills. I hope that any ideas that the committee comes up with for change at a local level will reflect those crucial

aspects, to which I will refer further in a minute.

The population of Scotland is not growing, and to see improvements, we must get more people back into the work force; I will refer to that later. To address quality of life in Scotland, we must also elevate productivity, and improvements in productivity, to one of the highest points on the economic agenda.

There is a productivity and performance gap between Scotland and the UK. In turn, there is a gap of something like 35 per cent between the UK and the United States and a gap of about 15 to 25 per cent between the UK and France and Germany. That illustrates dramatically the fact that a lot of work needs to be done. I emphasise knowledge, innovation and productivity because, in everything that we want to do locally, we must have an eye on the wider global and national issues in which we are all involved.

I will be as quick as I can, convener, but I want to address briefly some of the issues that I believe impact on us and on the committee.

The world is changing rapidly, to the extent that boundaries and organisations are not the most important factors. New technologies transcend boundaries, and businesses do not always recognise the boundaries and structures that politicians have developed and become accustomed to. On the other hand, structures should promote local diversity and accountability but avoid parochialism—I stress that point. The new economy must not submerge discussion and dialogue in any form of parochialism.

The concept of the global game is often difficult for politicians and the small business community to grasp. Competition is fierce and destined to get fiercer. If one has an economy without frontiers, the fierce global situation becomes much more challenging, especially given the application of new technology. The success of local economic development will depend on vision and leadership, a willingness to innovate and, of course, a willingness to have in place the best structures for accommodating those qualities.

Any form of local economic development must fit into a world where goods and services transactions will take place electronically, and it must look to the new kinds of companies that are being established. It must also reflect the situation where many companies will have transitional difficulties in adjusting to global changes. Local economic delivery is very much part of coping with that.

I will touch briefly on four issues that are, for me, crucial; I hope that the committee will share my views.

I agreed with much of the committee's interim

report, which illustrated that the local landscape is cluttered with institutions. A major challenge for the committee will be how, in finding a set of solutions, it will best deal with that.

10:15

One idea would be to subsume all existing players into a new model. At the other end of the spectrum is the instinct to have more focus, more cohesion, more prioritisation and more effective partnership working. In between lies a myriad options that the committee could pursue. I stress again the vision and leadership that are necessary at a local level. It appears to me that the success of local enterprise companies or ATBs is often not so much about structures, but about leadership and the propensity of other players to want to share, co-operate and develop a vision for the future.

As a minimum, I hope that the committee will come up with an economic framework for each local area. We need shared goals and shared aspirations at the local level. For example, while different areas are moving in different directions, the Fife model tries to bring the local enterprise company and the local authority closer together. I hope that, apart from seeking that local cohesion, the committee will allow, and encourage, experimentation and innovation.

We must ensure that, at a local level, we are conscious of the other work that is being undertaken, such as clustering particular companies and sectors to try to obtain the required growth. We also want a clearer delineation of respective roles. There is confusion and duplication and, like the committee, I am concerned about value for money; every pound that we spend needs to get a return in investment.

Those are some of the issues that influence my view of local economic development. I do not think that the status quo can continue for the next five or 10 years. The committee will lay down tough and testing challenges, but I hope that those challenges will embrace, as a minimum, the issues that I have addressed, which we can develop further.

We talk about employment opportunities for all, but we must recognise that, although the seasonally adjusted claimant count in Scotland is about 5.1 to 5.5 per cent, pockets of unemployment remain in Scotland that are unacceptably high and have been stubbornly high throughout the past 20 or 30 years.

Local economic delivery has a new and more ambitious role to play in tackling that situation. We must take the concept of employment for all and tell the local economic delivery—whatever its structure—that while we recognise that economic

strength, investment and so on will create jobs, more can be done to get people into work and to improve the quality of work. I suggest that local economic delivery should be about conducting a social and employment audit in each area.

There are 133,000 people out of work in Scotland, yet we have about 120,000 vacancies, by the rule-of-thumb method that has been used for about 30 years. There is a mismatch: not all vacancies are in areas of high unemployment, but high unemployment exists cheek by jowl with high vacancy levels in some areas. Lone parents, people with disabilities, young long-term unemployed people, and people from ethnic minorities face problems getting into work. I want a more serious, but positive, focus on getting those people into employment. There will be further incentives for people to get involved in working life following yesterday's budget announcements. It is important that we recognise that unemployment is low across Scotland, but the Parliament, the Executive, local authorities and the local enterprise company network must do more to improve the situation.

I have done an analysis of nearly 1,300 local authority wards in Scotland. The top 50, as far as the claimant count is concerned, have unemployment ranging from five times the Scottish average to twice the Scottish average. There are 50 pockets of unemployment in Scotland that are at least twice as high as the Scottish average, in areas such as Dumfries and Galloway, Glasgow, the Western Isles, Dundee, Fife, North Ayrshire, Clackmannanshire and North Lanarkshire. We are talking about local delivery and I want a much more focused and cohesive approach to that.

The third main point relating to the employment framework is learning. A major part of my review of the enterprise network is to elevate lifelong learning, and to give it the importance that it deserves. That cannot happen at national level only. I hope that the Enterprise and Lifelong Learning Committee will examine how best to give lifelong learning in all its forms the same importance as the other economic development delivery issues. For example, there are 46 further education colleges in Scotland; why should they not be key players in the new local economic framework that we are developing? It is about skills, knowledge, ideas and innovation and we have a world-class resource in every part of Scotland. At the moment, the economic network does not embrace fully that potential. The new developments—such as the university for industry, individual learning accounts and modern apprenticeships—mean that we must give lifelong learning a very prominent position.

That must be reflected in the structures. In the past, LECs have been business-led; perhaps they

should now be lifelong learning-led. In some areas, lifelong learning people are on LEC boards, but in other areas they are not. It is a question of balance. That is what I would like to see. That will certainly form part of the review of the Scottish Enterprise network.

The fourth area is the drive towards the new knowledge economy. That is a cross-party issue. After I have given evidence to the committee, I am meeting David Mundell for a discussion about e-commerce. If we believe Scottish Enterprise's benchmarking figures, 7 per cent of companies in Scotland are on-line—that is about half the percentage of companies that are on-line in Canada, and is much lower than the percentage for Finland. The key issue is how we, as a community of interests, acknowledging the importance of the internet, get small and medium-sized enterprises on board.

Yesterday, the chancellor outlined some new national measures—financial incentives, tax write-downs and the encouragement of business support. The question is whether we can do more at a local level, through the network. That is an enormous area.

The committee's work so far has been excellent. We need to create an economic framework that is focused and a lifelong learning agenda that is alive at a local level. There must be a new focus on employment and unemployment, and a drive towards the knowledge economy.

I would be happy to participate in whatever you are willing to throw at me, convener.

The Convener: Questions, I hope. Thank you, minister for sharing your views on the direction of that policy area. You listed the many reviews that are under way: your review of Scottish Enterprise, our inquiry into local economic development, the area tourist boards and Scottish Tourist Board review and the internal work at Scottish Enterprise. We know, from listening to people at the business in the chamber event and from the consultation exercises that we have undertaken across the country, that there are high expectations of the reviews and the current debate. We have reached the point at which many of the economic structures are being actively debated in many different communities in Scotland. We must guarantee that we draw the different threads together and that the structure that we put in place is built on greater consultation and debate. We could spend the spring and summer having the structural debate, before moving on to the delivery of the wider issue. Are you comfortable with that approach?

Henry McLeish: I agree with everything you have said convener. Let me reassure the committee that the reviews are about partnership.

I am happy to take the work of the committee as the main component of the review affecting the local level of economic delivery. That is more than a statement of confidence in the committee.

The internal reviews that Robert Crawford is carrying out are on-going. We are consulting on the review of the enterprise network. That will finish in early May. We want to complete that process and reach a point where we have something to say on the matter by the middle of the summer. I am not sure of the precise timetable, but the Enterprise and Lifelong Learning Committee is finalising its work and should publish its report after Easter. The ATBs and STB will have as much discussion as they like, but I hope that by May we will have a clearer idea of their thinking. That should all come together by June. We hope to have completed the economic framework by the end of June and at that point we will have further discussions with all the parties carrying out reviews. That will be a point of consolidation. However, by October we will stop talking and ensure that we implement the ideas generated by the reviews in every part of Scotland. The Scottish public will not want us watching and reviewing for the entire year. I agree that a midsummer cut-off point would be useful, followed by action in October.

The Convener: Thank you. Let us move on to some of the specific points that you raised. Your first point related to the cluttering of the local landscape and you said that leadership is more important than structures. We all agree with that point to some extent. What mechanisms can we use to advance a co-operative working climate among local-level institutions? For all your wise words about boundaries not being obstacles to the development of cohesive policy making, we have not managed to overcome some of the difficulties surrounding the way in which people and organisations build up somewhat baronial structures. How do we work through that? In some parts of Scotland there are very good examples of partnership working, whereas in other parts of Scotland service provision is a mess.

Henry McLeish: Like the committee, we have given this matter a lot of thought. As I said, there are several models, including a minimalist one that cajoles and exhorts people to do better. However, I do not regard that as a sensible option.

10:30

The second tier, as an absolute minimum in every LEC area, must be some kind of economic framework. If we are talking about a national economic framework, why can we not have a local one that, for the first time, addresses the priorities of the LEC network, local authorities, the chambers of commerce, any other trusts and a

whole host of organisations? We cannot leave it to each organisation to formulate its own aspirations, outcomes and objectives, with budgets that are not properly focused and do not provide value for money. I would like there to be, as an absolute minimum, some economic framework—I do not want to use the words plan or strategy—which would allow all the local players to work towards similar objectives and outcomes, with a greater harnessing of budgets.

On the third level, I can speak only from my experience as an MP in Fife. There is a desire to move much further in other areas, which is not about a merger, but about saying how much better it would be if the two key players—the LEC, which spends £25 million, and Fife Council, which spends nearly £11 million—did not merge but worked as if they had merged, with a common set of objectives, common staff designations and a whole range of things that would give them more cohesion and focus.

The fourth level would be simply to say, “Look, all this is fine, but it depends on leadership and co-operation.” We might want to be more prescriptive and say, “In area X this is going to happen.” There must at least be some clarity and cohesion in those parts of Scotland that, quite frankly, are doing a disservice to their own aspirations and are not achieving the kinds of goals that we would want them to achieve.

The Convener: I would like to ask about the obstacles that may exist in the model that you have suggested, whereby local authorities and local enterprise companies may share a common agenda and common resources. Do you have an open mind on how the Scottish Executive will view the boundaries on how resources are used and put into common pools—if I can use that phrase—to enable co-operative and partnership working across a shared agenda? Are there obstacles in the Executive’s consideration of the allocation of resources which would make that kind of working difficult?

Henry McLeish: You would be pushing at an open door, convener. Our national review is about resources and a substantial budget of £500 million. There are competing priorities. There are areas of need and areas of lesser need. In regard to business, skills and employment opportunities, we need to be a bit more focused and a bit smarter about how we do things. Existing resource allocation structures should not be a constraint.

Although the economic framework is a national perspective, there are local perspectives. We want to have a healthier discussion about public funds being used, but—and this is the line that I would draw—I want the spending of every pound to be made transparent, and I want a bigger effort to be made to measure outcomes. I am not sure that we

are good at that. That is not a criticism of the economic basis, but of the Government in general. That would be the hard edge to any changes in resources.

George Lyon (Argyll and Bute) (LD): Are we talking about the Highlands and Islands Enterprise network and the Scottish Enterprise network? Is there no distinction between the two in the agenda that you have described this morning?

Henry McLeish: No. A paper on the review of HIE will be presented at the convention in Inverness on Monday. HIE is subject to a host of the things that we have talked about, but there are special circumstances. There is a raft of local geographical factors and there are particular ways in which things are done. I want to be sensitive to all of that, but I want it to be part of the wider review that we are talking about, although circumstances are very different between, for example, the central belt and the Highlands and Islands. I want a sensitive approach, but a similar review.

Dr Elaine Murray (Dumfries) (Lab): I would like to ask about your expectations of the report that we will produce. You said that you hope the report will suggest an economic framework for each local area. Do you expect an area-by-area analysis of each local economic framework, or do you expect models of good practice and suggestions concerning what has worked well in certain areas? We have found different models of good practice in different areas, which is confusing: nothing jumps out as working much better than everything else.

Henry McLeish: I am conscious that we need diversity and local flavour, and that we need to recognise local needs and aspirations. If we did not, it would be as well for us to do everything from the centre, and I am opposed to that.

In each local area I would like this framework—what I have described as the local delivery of learning and business development. I am keen on the leadership issue, and I would like us not to be prescriptive to the point at which everything is dictated. In an economic framework there would be key partners, a joint strategy on objectives, a joint action plan, a clearer delineation of respective roles, quality standards, outputs and outcomes, and something equivalent to a joint charter for customers of economic development services. We are there to serve organisations in the local economy, which should have a role as well.

One of the things the network is not good at is exchanging best practice. Excellent practice is to be found in every part of Scotland, but that is not being mainstreamed as quickly as it should be. In the context of an economic framework, that would bring cohesion. Radical change would involve

problems of structure and personality, but an evolutionary model could take best practice as its basis.

Dr Murray: Do you expect the report to contain an area-by-area analysis?

Henry McLeish: A lot of case studies have been undertaken into local circumstances. I do not expect the committee to come up with a prescription or suggestion for each area. That would be a major task and would depend on how much local information had been picked up. However, regardless of the final outcome of your deliberations, some of the issues that I have talked about should underpin it. That would be an enormous step forward.

Dr Murray: We do not have the information about the areas; we have analysis of that information.

The Convener: I suspect that if we gathered that information and published it, we would start a third world war.

Miss Annabel Goldie (West of Scotland) (Con): Dr Murray has touched on the issue about which I wanted to ask the minister. Given the pace of change in technology, do you think that when talking about structures and existing participants, there may be a danger that the committee will be too prescriptive? Do you think that such rigidity might obstruct the process of evolution to which you referred?

Henry McLeish: There is a danger in that. The difficulty is getting a model that meets current needs and aspiration but can evolve—especially in its technology—in rapidly changing economic circumstances. However, the bigger danger is in doing nothing. I was impressed by the fact that your report was an interim report. It highlighted what everybody instinctively felt but did not have the evidence to act on.

There is a danger in being too prescriptive. The difficulty is in getting the balance right between being fairly firm, but not closing off the possibility of changes that may need to be accommodated. It all comes back to leadership. If the quality of local leadership is threaded through all the discussions, that may help to overcome the danger that you have identified.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I am sure that most of us agree with many of the statements of objectives that you described. In particular, you said—rightly in my opinion—that we have a number of options for what our eventual report will recommend the local economic development structure in Scotland should be. Those options range from one model to “improve partnership working”. Picking up the convener’s remarks, I want to discuss a possible

downside of partnership working. I would like to give one topical example.

Last week, I read that the national marathon event in Scotland, the Puma Edinburgh marathon, had had to be cancelled because one of the five or six partners in the event—Fife Council—felt unable to make its contribution. This may seem a matter of lesser importance, but I understand from the race director’s report to the City of Edinburgh Council that it was estimated that, by 2002, the marathon, as an international event, could bring £3 million to the Scottish economy. I understand that Fife Council’s contribution—which it felt unable to make—was £100,000.

I raise that simply as a case of partnership working in which one partner felt that it could not contribute to the venture. Unless the Executive is able to rescue the event—which I hope it will consider doing—Fife’s withdrawal would seem to have scuppered the whole project, perhaps because there are too many partners. Perhaps the venture is imperilled because one partner is not able to stump up its share. Is there a danger that we are not being critical enough about the downsides of partnership working in Scotland?

Henry McLeish: I am sure that there can be difficulties. We need to make the proper distinction. When I talk about partnership at this stage, I am essentially focusing on the key partners in play at a local level, whether they be the enterprise trust, for example, or the local authority.

In relation to Fergus Ewing’s point, and in the context of the tourism initiative, I am conscious that there are many niches—Fergus has identified one—which, in normal debate, might not be regarded as important, but if it is a matter of a revenue earner or a job generator, we should examine it. I agree with Fergus that, at that partnership level, we need to have more cohesion.

There are issues that transcend ATB boundaries, but if key players do not participate financially, that puts on pressure. Does that drive decisions upwards? If something is significant and is not working locally because some of the partners are not providing the funding, does that mean that the Scottish Tourist Board, the Executive or Scottish Enterprise have to examine the matter? If that is the downside, I am sure it is a problem.

When I mention players and partnership in the model that I have in front of me, the essential difficulty at local level is that there are myriad organisations and individuals that influence economic development. That is why, when the committee decides upon a model, we have to be crystal clear about everyone having a role to play. At present, the roles are blurred and confused.

There is no real outcome that could be measured relative to all the key players.

The Convener: Without being judgmental about Fergus Ewing's example, I have to say that the issue is about what should drive the process. It is about agreed agendas. We have seen tremendous evidence of agreed agendas in various parts of the country. We have also seen what happens when there is not an agreed agenda. Without an agreed agenda, the whole thing does not work as effectively as it could. It comes down to leadership.

Henry McLeish: I want to add a postscript to that—Fergus made a fair point. It does indeed come down to leadership to a large extent, but we want to be as inclusive as we can and to get as much co-operation as we can.

We are dealing with a Scottish economy that produces £56 billion-worth of goods and services. It employs 2.3 million people. We do not want to be too prescriptive, but from the committee's and my perspective, the balance has to be struck and if, at local level, there is not an indication that the national agenda is being pursued—be that in connection with the knowledge economy, learning for life, small business development or tackling unemployment—there is a role for the centre to get some consistency between what is happening nationally with Scottish Enterprise and the Executive and what is happening locally.

I do not want to give the impression that we can just create a framework within which mediocrity can, in some areas, extend itself. We have to be clear about setting some challenging outcomes—which relates to Fergus's point.

In the past, in my view, Scotland often lacked ambition. That has been measured in a variety of ways. Tourism was a classic example of an industry that was underperforming and underselling. That is why, when this committee comes up with its report, and when it is finalised during the summer and implemented in October, we have to be clear that it is for real. Every part of the country, every local enterprise company and every player involved in LECs should appreciate that this is a very serious matter.

10:45

The Convener: Other members may wish to return to that substantial part of the agenda.

Whose role is it, minister, to guarantee that standard and ambition? Is it a matter for the Executive?

Henry McLeish: You will note from recent developments, convener, that Scottish Enterprise itself is trying to achieve some consistency throughout the system. The LEC network contains

essentially individual companies. Until now, they have had a fair degree of autonomy. Scottish Enterprise is already tightening up on that: if there are national objectives and national areas of interest, that should be reflected locally.

When the economic framework is available and when we have this committee's report, that will give a clear indication to every part of the country that there is a context within which LECs have to operate. The key question for the committee, and eventually for me, is how far we insist that, if we are doing something on the knowledge economy, on e-commerce, on lifelong learning, on individual learning accounts or on modern apprenticeships, it is all translated into precise action—which would be a pity.

What we really need are shared aspirations on a local level. There may be different ways of doing things, but the added value brought to a local area should be reflected for the benefit of the whole country.

Allan Wilson (Cunninghame North) (Lab): On the convener's point about the shared agenda, I welcome what you have had to say, minister. The four points that you made help us to focus and inform our debate, and they fashion the timetable. I think that you have delivered a welcome vote of confidence, minister, if you do not mind my saying so, on our sometimes complex deliberations on local organisational structures.

The vision that you provide, minister, of a learning-led economy sans frontières is very important in informing the organisational structures. I am not so sure any more what is local. When we had the business in the chamber event, there was a clear division between those involved in the dotcom side of new internet-led businesses and traditional, small to medium engineering enterprises, who viewed their needs very differently.

Alf Young brought up that dichotomy. In directing our efforts to that local organisational structure, we have to address both sides of that dichotomy.

Do I detect, minister, a shift of emphasis from areas of opportunity to areas of need? The social employment audit to which you refer interests me greatly—I probably live in one of the local authority wards that are referred to and I represent many of the people concerned.

Well-focused, targeted, measured output as to how local economic development services and the money spent thereon benefits people at the bottom end of the economic scale is important to me and to other committee members. Such discussions, in the context of a global economy, are necessarily informed by what is happening in that economy—in North America, Singapore and

elsewhere. As I asked a moment ago, is there a change in emphasis from areas of opportunity to areas of need—or of turning areas of need into areas of opportunity?

Henry McLeish: We recognise that the jobs will be created between the public service employment and the dynamic of the private sector.

That said, we recognise very honestly that there are areas of Scotland where unemployment has remained stubbornly high. Scotland should be an arena of opportunity. That is the key priority. Within that, we can extend opportunity to the areas and groups that we have been helping. In any LEC area, apart from the local authorities, the enterprise trusts and the chambers of commerce, there is the Employment Service, which has a range of programmes. One of the points of devolution is to be able to say that we want a much smarter, more focused, more sophisticated approach to areas of need—all within the context of the knowledge economy. We want a harder edge and tougher aspirations in tourism, and we seek a rebirth of manufacturing.

All of us take getting a job for granted. In the community that I represent, which is an area of high unemployment, many people would like to work, but there are some young people who think that travelling six miles is like travelling to New York. Labour mobility is incredibly bad in Scotland. In my constituency, that has to do with aspirations. Traditionally, we were a mining area, but we have now moved into electronics and things are changing. We are tackling need, but in the context of a hard-edged approach to the real economy that is focused on providing jobs.

Allan Wilson: Can you do that without the active participation of the Employment Service in the organisational structures that we are seeking to build?

Henry McLeish: We can involve the Employment Service. The new deal and the extensions to it include a range of activities that are concentrated locally, but there is no audit of their outcomes against the challenging objectives that we as a nation should be setting. A lot of great work is being done, but we need to go that extra mile. I have already indicated that there are 120,000 vacancies in Scotland and 130,000 unemployed. There is no direct match-up, but part of the challenge is to get over the mismatch and—with the greatest respect to Annabel Goldie, I would like to use a phrase that we used when the Conservatives were in power—to fill the jobs that are without workers with the workers who are without jobs. It is as simple as that.

Mr Duncan McNeil (Greenock and Inverclyde) (Lab): Allan Wilson mentioned areas with high unemployment. In our deliberations we have

noticed how difficult it is to improve flexibility in those areas through schemes such as the new deal, modern apprenticeships and job shares. How hopeful are you that we will be able to achieve through UK initiatives flexibility in areas such as mine, where people are in and out of employment in the electronics industry? The new deal is not as flexible as it should be in taking people from periods of employment into periods of education, so that they are active the whole year round.

Henry McLeish: I am very hopeful, partly because of the approach that the chancellor is taking. I can give the committee a hint of what may happen next week. As Fergus Ewing is aware, there are major developments at BARMAC. Next week we will be changing some of the Employment Service's rules governing assistance to people coming into and going out of work, to facilitate proper change in an area that requires it.

With employment at its highest level since the '60s and unemployment at its lowest level since 1976, there are now new opportunities. Like the committee, I am determined to grasp them. That requires focus. I hope that the committee will emphasise that—in addition to skills, learning and business development.

Elaine Thomson (Aberdeen North) (Lab): You highlighted the importance of the knowledge economy and encouraging companies to take up e-commerce. During the business in the chamber event, I was struck by the number of representatives of high-tech companies who said that the current structures and some of the proposed structures, such as enterprise agencies, do not meet their needs because they are moving a lot faster than traditional businesses. Often, such companies are competing globally and exporting goods and services globally from day one.

Recently, John Battle, the Minister of State at the Foreign and Commonwealth Office, talked to the Confederation of British Industry and Aberdeen chamber of commerce about the support it can offer businesses involved in exports. However, the Foreign and Commonwealth Office still seems to be proceeding from the premise that companies begin by operating locally—in their local area or in Scotland as a whole—and then become exporters. Do we need to spend some time ensuring that whatever structures we propose are in tune with the new situation, in which small, new companies are exporting from day one? Such companies require a combination of advice on how to grow a business and on exporting.

Henry McLeish: I will deal with two points and issue another challenge to the committee. At national level, we are about to embark on a new five-year export plan. The current plan finishes at the end of this year, and a consultation is taking

place on one to replace it. As the convener has said in the chamber and elsewhere, exports must become a more important part of our thinking. That requires movement at the local as well as the national level. We currently have 13 local partnerships. I would like there to be a structure at local level that gives prominence to exporting. I do not think that that is being done to the extent that it should.

Elaine Thomson said that we now have new types of industries for which exports are something that happen from day one, rather than something that businesses mature into over a long period. I hope that the structures that the committee proposes will ensure that exporting is a key element.

My second point relates to e-commerce. If the chancellor wants to help 1 million new small and medium enterprises with a tax write-down on investment in computer equipment, small business services must provide the advice that will enable those enterprises to be set up. Of those 1 million businesses, 100,000 would be in Scotland. Should we provide the advice that is needed through Scottish Enterprise or through the Scottish Executive? What is the role of the new enterprise structure at local level to be?

In addition, as part of the individual learning accounts that will come on stream in September, anyone who wants to do a computer literacy course or information technology work at any college in Scotland will receive an 80 per cent discount. Again, I am trying to illustrate that this is an amazing challenge. It is not about boundaries or structures, but about identifying the best way of getting companies on-line at local level and seeing how the centre can do things better. In some parts of Scotland the e-revolution is merely a spectre, rather than a reality.

George Lyon: We have received a fair body of evidence from local authorities and local enterprise companies on the need for an overarching national economic strategy for Scotland. What is the Executive's position on that? If we are to have a national economic strategy, will it inform the local economic strategies that the minister outlined in his presentation? Will there be enough flexibility in the strategy to allow it to take account of local circumstances?

Minister, you have talked a lot about leadership issues. Are you talking about the structure of leadership at the local development level? If so, is the Executive considering being prescriptive in this area? Are you talking about bodies being appointed to drive the agenda at local level?

Tourism has now entered the arena. At our meeting two weeks ago representatives of area tourist boards suggested that there should be a

separate business development unit under the ATBs to deal with economic development in the tourism industry. What are your thoughts about that suggestion?

11:00

Henry McLeish: Well—

The Convener: Four questions, minister.

Henry McLeish: Thank you.

The Convener: Crisp answers.

George Lyon: Yes or no.

Henry McLeish: Yes, in answer to the first question. There needs to be an economic development framework—I use that term because plan or strategy be overly prescriptive. We must set out a vision and a series of objectives, and feed those through to the sectors and industries that we are talking about. In the autumn, we asked the chief economic adviser to begin work on the framework. The timetable is that at the end of March there will be the third meeting of the reference group. A draft report is nearly ready. It is expected that the draft report will be submitted to ministers in April, and that the report will be published in June or July. It is helpful that that timetable coincides with the work of the committee.

I hope that that framework will inform work at the local level. The point of the exercise is not to produce a document that will gather dust on the shelves of Scottish Enterprise or the Scottish Executive, but to provide a working idea of where Scotland is going amid fierce global change and changes in the Scottish economy. I do not think that the framework will be prescriptive.

Nobody is suggesting that it should be a template to be followed ritualistically in every part of the country. However—and this is a matter for the committee to consider—if we have shared political aspirations, it would be sensible for local economic delivery to recognise those and work within that framework. I agree that there should be flexibility, but perhaps there should be less flexibility in shared aspirations nationally and locally for positive outcomes.

George Lyon asked about bodies. I was talking about individuals and leadership. No matter what structures are in place, we will need people to provide leadership. This is not some abstract vision. There could be six players supposedly working together in an economic framework, but if there is no synergy or chemistry among the leaders of those organisations, not much will be achieved. In parts of Scotland there is very effective leadership, but in others there is not. We should be blunt about that.

One task for Scottish Enterprise at present is to examine the boards and who is involved, and decide, in view of changing economic circumstances and local needs, who are the best people to take matters forward. If there is an economic framework in which bodies are not merged, one may want to identify a lead body. That may cause all sorts of problems, but my comments were aimed at individuals and personalities.

I have spoken privately to the convener about ATBs. This is a difficult issue. There is now a tourism strategy in place, which has been well received, and there is key investment in many areas. The question is how best to implement the strategy.

One model is that the ATBs could be a key player in the economic framework and could work much more closely with the economic mainstream. Secondly, as I have hinted, the enterprise cash for training, for example, could be given to the new skills body that will be set up for tourism. If that were done, the ATBs would not have to knock on the doors of Scottish Enterprise or the LECs. As it is a grown-up, mature industry, tourism could be given the money to provide business support. The third option would be to establish a business development unit within the ATB set-up. That might go against the grain of efforts to reduce cluttering and to have a more effective and cohesive focus locally.

We are considering all those issues relating to ATBs. We have suggested to them and to the Scottish Tourist Board that they should produce some ideas within a time scale that coincides with that of the committee's inquiry and my review of Scottish Enterprise. There is a lot of thinking to be done. I want people in tourism to take themselves seriously. Part of that is to give them some ownership of some of the levers of influence. Like Scottish Enterprise and the LEC network, ATB involvement is patchy throughout Scotland. We must be sure that, when we devolve matters, people meet the rigorous targets that we have set.

Nick Johnston (Mid Scotland and Fife) (Con): You rightly point out the mismatch between jobs, skills and vacancies. How will you ensure that the partnerships, which we seem to be moving towards, deliver the required matching? You mentioned the LECs identifying skill shortages. One of the problems is that local economic development is a soft area in respect of local authorities, as the budgets are not ring-fenced, so when local authorities are in difficulties, economic development is an area that can be under attack.

On logistics, I will mention Clackmannanshire because I am very involved with Sarah Boyack on this matter. We have huge difficulties with the road and rail networks. Do you agree that the Executive

must pull together, because otherwise your efforts will be undermined?

The committee has not yet touched on productivity. How best could the structures that you suggest reflect the need to improve productivity?

Is there a need to address the problems of displacement and entrepreneurship that the LECs face? Displacement is especially an issue, as an awful lot of businesses duplicate businesses that are already set up and go on to become extremely successful.

Finally, I will pick up on the point that you made about whether local enterprise development should be led by lifelong learning rather than business. Will you expand on that?

Henry McLeish: On the local authority front, I met with the president of the Convention of Scottish Local Authorities and some of his senior advisers. COSLA recently produced a report, which the committee has received, which suggested that it spends about £100 million a year. The encouraging point about that meeting was that COSLA believes that this is an era of change and it is keen to be involved in that change. I did not detect any resistance to that. It is more active in some parts of Scotland than others, but there was general good will.

How we measure outcomes is a difficult question, but what I find with Scottish Enterprise and the Scottish Tourist Board is that we are not very good at linking public expenditure with positive outcomes and measuring that. A whole science is involved in that, but first of all I want it to be ingrained in people's minds that if they are spending public money, they must be conscious that there is an outcome. That is not always the case in the delivery of public expenditure-based items.

On the issue of employment, I do not think that what I am suggesting this morning is any kind of rocket science; it is essentially to say that we could be more effective in local areas in matching up job needs with jobs that are available.

There is a debate about the restructuring of the farming community and development of forestry, tourism and so on. This is not only an urban matter; it is also a rural one. The committee might want to examine at some time how best we take forward the restructuring of rural Scotland as well as the regeneration of some urban areas. No matter where the community is, the issues are the ones that we have talked about.

Nick Johnston mentioned logistics. I could not agree more about the need for the Scottish Executive and the agencies to co-ordinate more effectively. We cannot get away from the fact that

in Scotland we need an effective transportation network—that is a crucial part of the economy.

If we take Clackmannanshire as an example, over the past six years £600 million has been spent in Scotland on regional selective assistance. Clackmannanshire benefits from that, but it has received only £1 million out of £600 million, although it is an area of high unemployment. Perhaps it does not have a particular focus. I think that you were trying to make the point that those are the things that we need to get smart on. There is no dispute about the need for things to be connected.

Productivity is a huge issue, which we do not have time to discuss. Again, this is a state of mind. We can compare Scotland with the UK, or the UK with France and Germany, or France and Germany with America. However, even within Scotland and within different sectors of industry there are huge differences in productivity. Productivity is an amalgam of things, but among the key elements are skills and the application of technology. In the past we have seen considerable productivity gains in Scotland because of employees being shed. That may continue, but many companies are now lean and fit and need to improve productivity without losing employees overall.

You asked about lifelong learning. I believe that the big idea for Scotland in the next decade is the lifelong learning revolution. I make no apologies for saying that I would like that to affect every area of business. I would like it to become as important in people's thinking as business advice and what we are doing in other areas of local delivery. In Scotland we are doing well at the graduate level, but at intermediate school level we are not as good as we think. The challenge is that nobody post-16 should be without access to lifelong learning. That is what individual learning accounts, modern apprenticeships, the university for industry and the University of the Highlands and Islands are about.

I am also keen to get more companies involved in doing training at local level. Training is a market weakness. Although successive Governments, Conservative and Labour, have done an enormous amount to stimulate an interest in training, many companies still fail to see its importance for future business. With the advent of new technology and e-commerce, it is crucial that everybody should be computer literate. Lifelong learning is an umbrella. It is not intended to squeeze out other considerations, but it needs a higher profile.

Marilyn Livingstone (Kirkcaldy) (Lab): I want to pick up on that last point. Minister, I welcome what you have just said about elevating lifelong learning, as that is what I feel has been missing.

My experience, like yours, is in Fife, and I would like to ask you about something that worries me there. Perhaps you can say whether it is a national issue, a local issue or both.

When we bring people into lifelong learning, that usually means bringing them into further education. There are now many players influencing the agenda. Local government is running community education, colleges are offering national certificates and higher national certificates, Fife Enterprise is involved through the skillseekers programme, and now the Employment Service is involved through the new deal.

I take on board the point that you make about measurements, but at the moment the schemes are very concerned with numbers and are output-driven. I believe that, in some cases, we need to focus more on quality and qualitative measurements. Everyone involved in the system has clear progress through it and there is equality at all levels. The single gateway to the new deal, which allows people to get advice and to take the qualification that is most relevant to them as an individual and to the local economy, offers a good example. How do you see the national agenda influencing the local agenda and ensuring that young people, in particular, get the right training?

Henry McLeish: There is a tacit acceptance of what you are saying about volume. All programmes since the 1960s have been about trying to improve quality, but targets have often been set for volume rather than quality. That is changing rapidly. At the moment, we are reviewing training for work with a view to capturing some of the elements that Marilyn Livingstone has just mentioned. This is not about me standing up on a platform and claiming that x number of young people in Fife have been through a programme.

I want to share with the committee some of the things that are happening on the lifelong learning agenda. A lot of young people feel that they would rather go to college than do a modern apprenticeship, because, at college, they get a qualification, and afterwards they go into employment. However, in modern apprenticeships, they are employees and they get a qualification too. When the numbers of young people available is smaller, there is competition. In my opinion, it is a pity to have competition.

11:15

To drive the lifelong learning agenda, and to be creative, we might ask why the colleges in each part of Scotland cannot play a much more important role. They provide the qualifications; they could also get industry to work with them in the workplace. At the local level, the new networks can drive that. It would elevate lifelong learning to

a position of importance, and would make it relevant to a lot of young people who would love to be in industry but who are also desperately keen to get the best qualifications that they can. To be frank, the current situation does not always provide for that.

We have talked about the cluttering of economic agencies at local level. Marilyn Livingstone is right to say that there is a growing difficulty with the number of agencies that are now involved in delivering lifelong learning. One model is to ensure that what is being done locally on economic development includes lifelong learning, so that we get symmetry and a shared set of aspirations for them both. Another model is to have a partnership involving the agencies, but that might add to the cluttering.

I believe that lifelong learning should be an essential mainstream element of economic development. That would give it its rightful place, which will be a matter for the committee. I have shared my thinking with you, but I still do not know what the committee is thinking—which is an interesting position for a minister to be in. I hope that the importance of lifelong learning will be elevated. A whole host of people want to do a good job in education, and they want to be considered as an important part of economic development too. In parts of Scotland that is not the case.

Ms Margo MacDonald (Lothians) (SNP): I would like to share some of my thoughts with you. I was fortunate enough to report for the committee on what is happening in Fife, with an emphasis on lifelong learning rather than training. We might start to get things right when we accept that we must learn an attitude for lifelong learning, rather than having a template for it. You will meet Marilyn Livingstone's concerns if you make the colleges the centre of things.

When Elaine Thomson and I went to Fife, we were struck by how impressive the young apprentices were at Babcock in Rosyth. Lifelong learning was taking place there. The apprentices were already company people. They were learning an attitude there, and I wondered whether I approved of that. On the other hand, they told us that they were pleased to be in Babcock and that they preferred to be there rather than in college. They considered themselves lucky to be in modern apprenticeships in Babcock and not in the council, where the apprenticeships were "rubbish".

The Convener: How about a question?

Ms MacDonald: All right. I am not sure how you can square the circle. Somehow, you have to get the notion of lifelong learning permeating the whole of economic development and social development. You cannot split the two. You have

to think about the colleges. We have professional teachers and lecturers in the colleges, and we should concentrate more on building upwards and radiating outwards from the colleges. Do you agree?

That is my question, convener. Does the minister agree?

Henry McLeish: I agree. I would add that Margo and I have been sharing thoughts for many years.

Ms MacDonald: Oh, Henry, if you do not tell them, neither will I.

Henry McLeish: All right, I will not—as long as you do not tell them.

Babcock offers premier league apprenticeships. If every part of Scotland was in the premier league—

The Convener: Please leave out the football analogies.

Henry McLeish: All right then.

I would like colleges to have a bigger role, but, as part of the revolution, I would like to see a learning centre in every workplace in the country. I am talking about small places and I am talking about councils. I agree with Margo's point about attitude. What happens on the ground over the next decade will be influenced by people changing their thoughts. It is a revolution that involves the colleges in a more expansive role. It is about lifelong learning centres.

Sorry, convener, to make a football analogy, but we opened a lifelong learning centre in Dunfermline, at East End park—I shall quickly move on. It was visited by a lot of young people who had never thought of education before. It was geared towards their peer group and was informal, involving college courses and a bit of hardware. So I agree with Margo.

I have had discussions with the Scottish Trades Union Congress and individual trade unions, because it is employees who must drive forward this revolution. I want them to stimulate demand in a constructive way, with employers. With the synergy of the colleges doing more, good employers encouraging other employers, learning centres in every work place and changing attitudes, we have the right ingredients. Locally, those would be fundamental to whatever framework this committee comes up with.

The Convener: Thank you, minister. There will be two final questions before I bring this meeting to a close.

Allan Wilson: We have a national economic framework that informs rather than determines local economic strategy, which is based on area and includes area tourist boards. The exact

mechanism by which further education colleges are integrated into that is open to deliberation. In turn, that is related to export partnerships, business support and learning centres in the work place. However, the model will be determined by fairly diverse local forces. Is that correct?

Henry McLeish: I think that you have shaped up a potential model for the way in which things work. All the ingredients are there, and it comes back to the way in which the existing players are shaped into that. I have no difficulty with that. I have mentioned technology and exporting. If the scale is right, local delivery should be mirroring more effectively what is happening nationally. If something is important nationally, such as exporting, it should be equally important in every part of Scotland. If Scottish Enterprise has an e-commerce strategy, there should be an e-commerce strategy in every part of the country as well. That is the thinking. However, as Margo MacDonald said, lifelong learning should not be just a box in a new diagram, but should permeate every facet of what we are doing.

Allan Wilson: Does that precede further education realignment? There are 11 further education colleges in Glasgow.

Henry McLeish: Glasgow is a good example of the way in which colleges are working well together in the network. The trick for the committee, and for ourselves, is to get effective change. However, once we start to consider the realignment of everything, there may be huge institutional resistance. That is worth taking on if, at the end of it, we get the kind of outcomes that we want. I am issuing a warning there.

Fergus Ewing: I would like to raise a matter that is, I am sure, of great concern to you and on which we have corresponded. At present, the assisted area status map for the UK has not been agreed between the Department of Trade and Industry and the European Commission. From the enterprise companies in my area, I understand that the consequence of that is that no business can be assisted to the extent of any sum greater than €100,000—or £63,000—over three years. Had that been the case before, in the Highlands there would have been no Inverness Medical, no White's Electronics and no Cairngorm funicular railway.

Perhaps the matter is being sorted out now, but I raise it today as it is causing grave concerns within Highlands and Islands Enterprise circles, especially in conjunction with the impending loss of thousands of jobs at BARMAC. Many will be looking to the enterprise companies to deliver premier league projects to create new employment in the Highlands.

Henry McLeish: I thank Fergus Ewing for

raising that issue. I recognise the difficulties that are being created, and I intend to meet the HIE people when I am up in Inverness next week.

The assisted area status map is still being discussed within the Commission. We are pressing as hard as we can to get an agreement on that. At any one time, we are working with many companies that are seeking assisted area finance, and there is a delay—not a postponement well into the future. We are working hard on that front.

There are related issues that affect HIE. I have corresponded with Fergus Ewing and I have answered some questions on those issues. At this stage, suffice it to say that the Executive will make every effort to resolve this matter.

The Convener: Would you like to make any concluding remarks, minister, before I close the discussion?

Henry McLeish: I thank the committee for its courtesy and I look forward to reading its report. We want to ensure that the work that the Executive is undertaking coalesces with the work that this committee is undertaking, so that, by July, we will have some idea of the way forward. Come the autumn, we can take steps to move forward.

The Convener: Thank you, minister, for the thorough way in which you have answered the questions that we have raised this morning. The committee is moving towards the conclusion of its local economic development inquiry, and we are pleased to hear of the positive attitude that has been adopted towards the role that that inquiry will play within the wider reviews.

The key point is that we have to get the process correct and conduct the debate properly, to the satisfaction of the widest community possible. We can then move on to the important process of delivering these services purposefully to companies and individuals. The committee will present its report, probably before the end of May.

Henry McLeish: Thanks very much.

Budget Process

The Convener: We move on to item 3 on the agenda, which is the paper on the annual budget process. A note from the clerk sets out the proposed procedure for handling the consideration of the annual budget for 2001-02. At the start of April, the committee will receive some papers from the Executive, with its preliminary thoughts on the contents of the budget for 2001-02. We will consider that, as proposed, in our meeting on 5 April, and we will examine the budget in further detail, with the minister in attendance, at our meeting on 3 May. We are expected to produce a response for the Finance Committee by 17 May.

At the end of the note from the clerk, there are recommendations on approving the procedure, on agreeing the principle of appointing a reporter for the budget process to report to the Finance Committee and on appointing a reporter to carry out that task. Does the committee agree to approve the procedures that are set out in the clerk's paper?

Members indicated agreement.

The Convener: Does the committee agree the principle of appointing a reporter for the budget consideration?

Members indicated agreement.

The Convener: Can we nominate an individual to do that? That person must be a non-member of the Finance Committee, which rules out George Lyon, myself and Elaine Thomson.

Mr McNeil: I nominate Elaine Murray.

The Convener: Is the committee agreed?

Members indicated agreement.

The Convener: Elaine Murray will be the reporter for the budget process.

We now move into private session.

11:28

Meeting continued in private until 12:31.

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