

# **ENTERPRISE AND LIFELONG LEARNING COMMITTEE**

Wednesday 6 December 2000  
*(Morning)*

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# CONTENTS

Wednesday 6 December 2000

	Col.
THE NEW ECONOMY .....	1420
EUROPEAN ISSUES .....	1447
RESEARCH SUPPORT .....	1455
EUROPE FAMILIARISATION PROGRAMME .....	1458

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## ENTERPRISE AND LIFELONG LEARNING COMMITTEE

30<sup>th</sup> Meeting 2000, Session 1

### CONVENER

\*Alex Neil (Central Scotland) (SNP)

### DEPUTY CONVENER

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

### COMMITTEE MEMBERS

Mr Duncan Hamilton (Highlands and Islands) (SNP)

\*Nick Johnston (Mid Scotland and Fife) (Con)

\*Mr John Home Robertson (East Lothian) (Lab)

\*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)

\*attended

### THE FOLLOWING ALSO ATTENDED :

Mabel Hildebrand (Scottish Executive Enterprise and Lifelong Learning Department)

Simon Wakefield (Scottish Parliament Information Centre)

### CLERK TO THE COMMITTEE

Simon Watkins

### SENIOR ASSISTANT CLERK

David McLaren

### ASSISTANT CLERK

Linda Orton

### LOCATION

Committee Room 4



## Scottish Parliament

### Enterprise and Lifelong Learning Committee

*Wednesday 6 December 2000*

*(Morning)*

[THE CONVENER *opened the meeting at 10:05*]

**The Convener (Alex Neil):** We have received apologies, which are mainly for lateness. George Lyon has been held up—he is at a fisheries briefing in Glasgow. Duncan Hamilton, the new Scottish National Party member of the committee, has been held up at the same briefing. Margo MacDonald has a hospital appointment, but hopes to be here by about 10.30. We think that Annabel Goldie has also been delayed.

**Marilyn Livingstone (Kirkcaldy) (Lab):** Annabel is en route.

**The Convener:** This is the last meeting that John Home Robertson will attend. I put on record our gratitude for his attendance and contribution during the past weeks. It has been six weeks, has it not?

**Mr John Home Robertson (East Lothian) (Lab):** Rather less than that.

**The Convener:** I had better not mention the name of John Home Robertson's replacement until the Parliament formally approves the appointment, because the Presiding Officer will tick me off.

The first item is to decide whether to take item 6 in private. Members may remember that we agreed some months ago to establish the fuel inquiry on the basis that we would have bilateral meetings with all the oil companies and the Petrol Retailers Association. The oil companies agreed to that, provided that the information that they disclosed was kept in commercial confidence. Until we discuss what we want to make public, it would be appropriate for the committee to keep its side of the bargain with the oil companies. That is why we should take item 6 in private. We will decide later what we want to publish as part of the inquiry. Do members agree?

**Members indicated agreement.**

**Nick Johnston (Mid Scotland and Fife) (Con):** Under your predecessor, convener, I ruled myself out of the fuel price inquiry, because of my commercial interests. I will leave the meeting when we reach item 6.

**The Convener:** Okay. Thank you, Nick.

## The New Economy

**The Convener:** The next item is the inquiry into the impact of the new economy. Committee members are to update and report on the case studies that have been undertaken. Elaine Thomson's report was circulated this morning, and members should have a copy.

**Elaine Thomson (Aberdeen North) (Lab):** I am sorry about the report's late arrival.

**The Convener:** We had planned to cover the textiles report first, but I hope that Margo MacDonald will arrive later to talk about that, as Fergus Ewing is not here. George Lyon is not here either, so I ask Nick Johnston to talk about the report on the Alba Centre. That has caught him out.

**Nick Johnston:** The visit was so long ago that I cannot remember what we did, but I will talk about the report.

**The Convener:** A paper has been circulated. Unless Nick has anything to add, we will move to questions. Having read the paper, do members have questions to add to what is in the paper?

**Nick Johnston:** The only issue to which I would like to draw attention is the impression that all the people who we met at the Alba Centre gave, which is that there is a growing problem in Scotland of a lack of skills in electronics. That impression overarched the whole day. The problem does not concern only graduates—it goes further back than that, to primary school, where a change of culture is needed to get children thinking about engineering as a worthwhile career. I do not know whether it is an Edinburgh attitude, but getting one's hands dirty—even in electronics—is considered inferior to becoming a doctor, schoolteacher or lawyer.

**Mr Home Robertson:** And getting one's hands even dirtier.

**Nick Johnston:** When I read the paper, I was conscious that that lack of skills was mentioned, but that it was not stressed as much as the people at the Alba Centre would have liked. Having said that, the Alba Centre was a super place and our visit was very worth while. It revealed that some extremely exciting things are happening. I would be delighted to rack my brain for things that I can add to what is said in the paper.

**Elaine Thomson:** Did the people at the Alba Centre say anything about which training and educational activities are most effective in developing the skills that are required by electronics industries? Are we talking about skills at technician level or at a higher level?

**Nick Johnston:** We are talking about skills at a higher level than technician level. The people at the Alba Centre said that they can take graduates from almost any discipline and train them up within three or four years. However, they would rather take on graduates who they could use straightaway. Cadence Design Systems imports software engineers from India, in particular. It is very hard to pin down the problem and I do not have sufficient knowledge of the university sector to do that. The point that was made to us was that the curriculum that is taught in universities is not suited to today's electronic business age. Perhaps when we come on to the lifelong learning agenda we can look back to see where we have gone wrong.

**Elaine Thomson:** Do electronics companies feel that, once they have got hold of graduates, the right infrastructure and support exist to enable them to train staff at work? Do they do most of their training in-house? You may not have gone into that with them.

**Nick Johnston:** Most training is done in-house, although the Institute of System Level Integration offers an MSc in system level integration. Getting the right calibre of people to teach on the salaries that universities offer is very difficult. It requires extreme altruists who are prepared to drop from salaries of £100,000 a year to £30,000 or £40,000.

**Dr Elaine Murray (Dumfries) (Lab):** My point is related to that. I am interested in some of the issues that Nick Johnston raised. I speak as someone who tries continually to persuade her eldest son that he wants to be an engineer so that he can look after his old mum when she gets decrepit.

**The Convener:** You know what they used to say about engineers—"Two weeks ago I couldn't spell, it and now I am one"

**Dr Murray:** There is an important issue to do with the curriculum in schools. It is suggested that maths and physics are not being taught appropriately in schools, that there is insufficient linkage with design and that it is not possible for people to combine technological studies, craft and design and science in schools. Can that be substantiated? If so, how can those who design the curriculum be made aware of the problem, so that changes can be made? I was concerned to see that maths and physics teachers are not considered to be up to date with modern electronic practices. That suggests that they are still concentrating on things such as Wheatstone bridges, rather than the modern technology that they should be emphasising.

I was interested by the suggestion that pupils should go straight to industry from school, rather than via university. Is there a feeling that

companies would rather put people through an apprenticeship than take on people who have degrees in engineering? Another issue that was raised was whether more master of science places should be funded at universities. Why did you single out MSc places, rather than PhD places? Were you thinking of co-operative awards with industry?

**Nick Johnston:** That was part of it. Elaine Murray hit the nail on the head when she asked about companies preferring apprentices. It seems that the best route in electronics industries is to go in as an apprentice, learn on the job and bolt qualifications on. I cannot remember where I heard it, but it was mentioned that an MSc is the icing on the cake, because it is a professional degree that one can achieve without going through the four years of a normal degree. The idea was that somebody could apply their practical experience in an MSc.

10:15

**Dr Murray:** My knowledge of MScs is that they are a postgraduate qualification—people do a four-year degree course followed by a one-year MSc, which is usually a research degree. Was that what the organisations were considering?

**Nick Johnston:** No. We are talking about giving people who have practical experience that equates to bachelor of science level—although I do not think that there is any direct equivalence—the extra MSc year.

**Dr Murray:** Do you mean a final year at university?

**Nick Johnston:** I have a number of friends who are doing masters of business administration. The MBA is not always a postgraduate qualification—one does not necessarily have to be a graduate.

**Elaine Thomson:** So the MSc would not be done as a postgraduate qualification. Some people have practical experience—having learned on the job—so they have bypassed any undergraduate study. That is why I wonder whether much of the higher education that is being provided in electronics is entirely suitable.

**The Convener:** I hope that many of those issues will arise when we come to consider the remit for our lifelong learning inquiry. At the SPIKE—the cross-party group in the Scottish Parliament on information, knowledge and enlightenment—dinner we had with representatives of a large computer manufacturer based in Scotland—

**Elaine Thomson:** You can say who it is.

**Dr Murray:** We know who it is.

**The Convener:** That manufacturer expressed great concern about the university curriculum in Scotland and described it as “antiquated”. There are some important issues there, which are costing us good jobs.

**Nick Johnston:** The other aspect is the almost intellectual argument about what is a university education. Academics like to think that education should broaden the mind, but I have always been of the opinion that education should be vocational. It should be directed towards a useful purpose, rather than consisting of four years of basketweaving, geography and contemplating your navel.

**Dr Murray:** Is Nick Johnston saying that geography is not useful?

**The Convener:** Can we leave those wider issues to our discussion of the lifelong learning inquiry remit? Margo MacDonald has joined us, so if there are no other questions to Nick Johnston, we will move on to the textile industry. Will you speak to your paper, Margo?

**Ms Margo MacDonald (Lothians) (SNP):** I apologise for being late—I had a hospital appointment.

It is not my paper, but Fergus Ewing’s. I am not sure why he is not here—surely he is not that ashamed of the paper.

**The Convener:** He is no longer a member of the committee.

**Ms MacDonald:** Take that out of the *Official Report*.

I accompanied Fergus Ewing to the Borders—I think that somebody else was also meant to come.

**Dr Murray:** I was supposed to come, but the visit was arranged for a day when I could not make it.

**Ms MacDonald:** You missed yourself—we had a great time.

I come from the central belt and my impression of the Borders related to that area’s economic problems. To be honest, all I really knew about the area was the loss of Viasystems and so on, and the fact that there had been campaigns to improve the traditional communications networks of road and rail. It came as quite a surprise that we were not entering a sunset industrial area, but one with fantastic potential. It was exciting to visit the likes of Replin Fabrics and see its client list. I wrote an article on it when I got home.

The client list for Replin, which makes quality transportation fabrics, includes Boeing, Airbus Industrie, Cessna Aircraft Company, Qantas Airways, American Airlines, KLM, Air France, Hong Kong Ferry (Holdings) Company, the Sultan

of Brunei and Orient-Express. Replin is a phenomenal, world-standard company that is not in the business of complaining; it merely gets on with the job, as its client list shows.

However, we heard a complaint that there is an inability to introduce new communications technology—the bandwidth is not available. In the Borders, we come up against the modern shibboleth that there should not be public investment where there can be private investment. British Telecom is not going to invest in the Borders or north of Crieff. If BT will not invest in new communications technology, who will? Companies such as Replin Fabrics and the others that we visited will lose out.

The market is moving very fast. It combines perfectly traditional skills and business methods—such as going out and meeting people in the far east or wherever face to face and building up a business relationship—with the use of new technology to fulfil the contract. Plenty of knitwear companies in the Borders are taking that approach. However, they cannot stay ahead of the game unless they have access to modern electronic communication. That is their biggest frustration. What are we going to recommend to ensure that those companies are, literally, switched on?

The same thing was true when we visited the Scottish Borders campus of Heriot-Watt University, where there is really exciting stuff going on. I knew nothing about it until I visited the campus, but I was very excited by the innovative work that is being done on new fabrics. There is no reason why the Borders could not develop a huge industry that produces medical fabrics—it is mind-blowingly simple when you think about it. The Borders has the older traditional workers who are skilled in textiles and who work in well-founded and well-managed companies, but the Borders is losing young people fast. Those companies could form part of a well-founded industry that has a real future, but they lack the investment in new technology that they need. The other thing that they lack, which will militate against further growth, is young people. The schools are good, as are the colleges, and there are good networks and communications to promote lifelong learning, but the young people are not there. That problem needs to be addressed.

**Nick Johnston:** I am very interested in marginalisation. That is what Scotland faces in a global context, because of the development of technology. My next point might surprise many members of the committee, but I think that we will have to call for public investment in that infrastructure.

**Mr Home Robertson:** Yes.

**Ms MacDonald:** I am sure of it.

**Nick Johnston:** It is rather like when the first railways were laid—we are going to have to invest to get us through this, even if we do so with a view to taking the technology out of public ownership later. If we do not make that investment, wide swathes of Scotland will be lose its industry.

**Ms MacDonald:** That is evident—none of the people to whom we spoke were the sort of people that you would expect to talk about the need for public investment. That is not how they saw the situation. They see that there is a means of communication that is essential to the maintenance of their market share and the growth of their sector, but it is perfectly obvious that BT is not going to introduce it.

Members will recall the e-seminar that we held in the Hub. We heard evidence from young information and communications technology entrepreneurs, who told the committee that we have already largely missed out on asymmetric digital subscriber lines, and that we should be thinking about local radio networks and the sorts of things that the Irish, the Finns and the Swedes are doing. That sounds like big stuff, but if we are serious about staying ahead, that is what we have to start thinking about.

**The Convener:** The Swedes agreed recently to install five megabyte connectivity in every house in Sweden. The Irish have approved a £500 million investment programme for biotechnology and ICT, and they already have the electronic infrastructure in place. I had a meeting the other night with ScotlandIS—a new organisation that brings together bodies such as the Scottish Software Federation and the Internet Society of Scotland. That organisation will give evidence to the new economy inquiry in the new year. The lack of electronic infrastructure outside Glasgow, Edinburgh and Aberdeen is becoming desperate. The need for urgency must be a cornerstone of the committee's recommendations. There are various options.

**Mr Duncan McNeil (Greenock and Inverclyde) (Lab):** I was going to raise this matter when we reached the case study on remoter areas. We spoke to many people and learned that there are different solutions. There is no single big bang that would suit the various needs of different parts of Scotland. It is likely that major investment will be required, but there are different solutions for different parts of Scotland—The argument is technical. All sorts of solutions—such as Bluetooth technology—are being suggested for different parts of Scotland and we are mystified by the breadth of the argument. People have different ideas. There is a lot happening through our televisions and much can be done in our homes without public investment. Such activity is under

way because people see a profit-making opportunity. The Government is looking into the issue.

**The Convener:** So is Scottish Enterprise.

**Mr McNeil:** Yes. All sorts of people are examining the matter. I have still not got to grips with what is required. Before we can talk about investment and what is needed, we have to understand what will suit Scotland's needs.

**The Convener:** I suggested to Frank Binnie, the chief executive of ScotlandIS, that in that organisation's written evidence, it would be helpful if he provided an overview of the technical options and their requirements.

**Mr McNeil:** The answer that one gets depends on whom one speaks to and what they want to sell—it is like buying a pension package. It is difficult to get independent advice.

**Ms MacDonald:** None of the people to whom we spoke were in the business of selling new technology. They were interested in getting their already successful products to market. More and more, they need new technology to do that. I was impressed by their analysis.

**The Convener:** Elaine.

**Dr Murray:** I think—

**Elaine Thomson:** Could I say—

**The Convener:** We should have Elaine No 1 and Elaine No 2.

**Dr Murray:** There are so many Elaines that I always think that Fergus Ewing will suggest that there should be a cull.

I welcome the fact that Margo MacDonald has highlighted that there are many success stories in the Borders, because we tend to think of the Borders in terms of major job losses. In my constituency, there are a number of success stories in the textile industry. The problem is that the companies that have moved into new markets and taken up the new technology do not employ as many people as they did previously. There is still a problem of job losses as the newer technologies do not require so many people. That problem—and issues such as retraining—need to be addressed.

On the problem of attracting young people into the textile industry, I wonder whether Margo MacDonald got the feeling that the difficulty in doing that is caused by people's image of the industry. It is regarded as a sunset industry, from which jobs are being lost. Young people in the Borders do not have much in the way of further and, especially, higher education on their doorstep, and they move out of the area for education and then take up other opportunities



elsewhere. Does that contribute to the problem?

**Ms MacDonald:** Textiles is seen as a traditional industry. In the past, it was not a well-paid industry, but people can now earn pretty good money in it, particularly as a designer working on-screen. What I saw was terrific. The designers were all young people, but they were few in number. The employers said that, when they lose people from the area to higher education or whatever, they do not get them back. That is a common story. There is also a credibility gap and doubt about the long-term future of the industry. There is a general atmosphere of deterioration. If people were told that the rail link or a particular road would definitely be built, that impression could be turned around quickly. One or two things could be done to create the image of an area in which young people would want to have a future.

10:30

**Elaine Thomson:** I apologise for the late delivery of my report.

**The Convener:** I thought that you were going to ask Margo MacDonald a question on her report.

**Elaine Thomson:** Sorry.

**Ms MacDonald:** She is not interested in the Borders—she is interested only in Aberdeen.

**Elaine Thomson:** I am deeply interested in the Borders.

**Mr Home Robertson:** As Nick Johnston and Duncan McNeil said, many of the infrastructure issues overlap with those that will be covered in the report on remoter areas. However, I had better say something because I live in the Borders and my constituency covered part of the Borders a long time ago. I endorse wholeheartedly what Margo MacDonald said. It is most unfortunate that there is a perception that the Borders is an area of doom, woe and disaster. Members who represent the area have to strike a difficult balance. When there is a closure, it is right to say that that is terrible and that something should be done about it, but there is a danger of overstating the case and communicating to the rest of the world an image of a doom-laden area in which one would not want to invest.

It is right to talk about potential. Margo MacDonald is dead right to say that many exciting things are happening in the textile industry, on which she has concentrated, and in other traditional industries, such as food processing and tourism. We keep returning to the issue of communications and access, which I hope we will discuss later. Those issues do not affect only the Borders. I have just written to the Department for Trade and Industry and to Wendy Alexander about the fact that the way BT is going means that even

East Lothian, which is in central Scotland, will not have access to broadband infrastructure. Such infrastructure will be tightly provided in the central belt and the main conurbations, but the rest of Scotland will miss out on much potential unless we make headway.

**Ms MacDonald:** Members might be surprised to hear that I lectured some of the manufacturers we met in the Borders. I told them that their sector did not make enough effort to make friends and influence people among the financiers and bankers of Edinburgh. The area is just down the road from Edinburgh, but it seems to be light years away. In Edinburgh, there is loads of money for investment, which could be provided in the imaginatively tailored packages to which Duncan McNeil referred, but the folk in the Borders did not think about coming up here to tap into that money.

**Mr Home Robertson:** Many of the bankers and financiers live in the Borders and work in Edinburgh. They seem to want to do their economic work in Edinburgh, but to retain areas such as the Borders as a quiet rural idyll.

**The Convener:** I am sure that even Fergus Ewing would agree that Margo MacDonald did him proud on his paper.

**Ms MacDonald:** He would probably be shocked—he would be telling the committee about fuel prices.

**The Convener:** Elaine Thomson's paper has been circulated this morning.

**Elaine Thomson:** I apologise for the late arrival of my paper. Some issues that it covers are similar to those that have been raised by Nick Johnston and Margo MacDonald.

In Aberdeen, we met a similar range of people, including representatives of Scottish Enterprise Grampian, both universities, and LOGIC—leading oil and gas industry competitiveness—which is an organisation tasked with improving supply chain effectiveness in the oil and gas industry. In the afternoon, we met people from two major oil companies, BP and Shell. We spent some time talking about how to encourage small and medium-sized enterprises to take up e-commerce and the impact on them of doing so.

On start-ups and the commercialisation of science, both universities said that more needs to be done to encourage entrepreneurship. The proof-of-concept fund was flagged up as being far too small, although I believe that it was recently increased. Both universities were doing a lot to focus their students on entrepreneurship and start-up companies. The University of Aberdeen raised the fact that developing SMEs effectively and commercialising science were more effective if a business partner could be identified who would

move the matter forward early in the process. The university had had trouble doing that but now is sending its staff on commercialisation sabbaticals with local industries.

We spent a lot of time talking about the effectiveness of Aberdeen science and technology park, which has an incubator unit, in providing the right kind of infrastructure and space for SMEs. The park provides space with the right kind of finance and access to a properly networked facility. It also provides assistance with the protection of intellectual property rights. It provides a good environment for small companies in that sector and has been very successful. The park was viewed as essential; a clear market failure in Aberdeen is the lack of cheap commercial accommodation for small companies. That is because the economy in Aberdeen generally is buoyant.

An important issue that has been raised this morning, and which everyone to whom we spoke in Aberdeen mentioned, is connectivity. Aberdeen is getting access to BT's asymmetric digital subscriber lines, which will give it a broadband network, but a digital divide is opening up in a number of ways, particularly between urban and rural economies. You only have to go 20 miles west of Aberdeen and suddenly you cannot get access to ISDN lines, never mind broadband networks. As Duncan McNeil said, there are a number of different ways of tackling that. We will probably discuss the matter in more depth later, but it was raised by everybody. There are problems, particularly in rural areas.

One point that was raised that was quite funny—well, it was quite sad really—is that Aberdeenshire has the newest analogue exchanges in the country, which is a bit like getting a steam engine when everybody else has just moved to diesel.

The other critical digital divide is the one between different layers of society. We talked a lot about people's skills and skills development. The people who do not have access to skills development are the same people who will suffer because of the digital divide, through not having access to the internet and all that that involves. We talked about the number of people with the right kind of skills and, more important, the number of people with the right attitude. BP and Shell had clear views on that. Imagination, enthusiasm, skills development and attitude have a large part to play in making the most of the opportunities in the e-economy.

Another issue that was raised was the speed of change and the speed at which we need to move to take advantage of what is going on. We also spoke about the exploitation of the new economy by SMEs. It seems that some of the initiatives to encourage the SME sector have not been

successful. There was a lot of negative feedback. There was a focus on the threats of the new economy and e-commerce and the impact of globalisation, rather than on the opportunities.

The big oil companies in Aberdeen are committed to the knowledge economy and business-to-business opportunities; in effect, they will act as a driver for the SMEs. Around 30 per cent of small companies in Aberdeen are solely oil and gas companies, and another 60 per cent are oil and gas related. If the oil and gas industry sneezes in Aberdeen, the rest of the place catches a cold, if not the flu. BP says that, in the next year, it will move to doing most of its business through e-commerce and will encourage, and expect, its suppliers to deal in that way.

LOGIC, BP and Shell talked about the development of electronic global exchanges for the trading of goods and services. There are 40 or 50 of them, mostly within the oil and gas industry. Aberdeen had been developing an extranet exchange, but was pipped to the post when one was rolled out in the USA, which meant that Aberdeen lost out. Electronic trading markets are becoming important and the industry uses a range of them for trading licences, chartering ships and ordering lubricants, for example. Trade-Ranger is a vertical portal for oil and gas industry goods and services. The feeling is that that kind of electronic trading exchange will become more widespread and that they will be global, so it will be a problem if UK companies are not in there and working effectively.

I will conclude by saying that skills shortages was an issue that came across strongly.

**The Convener:** We should keep that in mind for the lifelong learning inquiry.

The final page of the report, with a list of 17 key points, was helpful. It is a good guide to the key issues that will be contained in our report, some of which we can influence and some of which we can only comment on. Are there any questions for Elaine Thomson?

**Nick Johnston:** Yes.

**The Convener:** Could you keep it tight?

**Nick Johnston:** As ever, I will be brief. I was interested that SMEs were having difficulty in finding time for development and that they needed drivers. Do you think that the influence of major companies, such as BP and Shell, as drivers will be sufficient, or will people just drop out of supplying BP and Shell because they do not have the time and the skills to develop their web pages or internet infrastructure?

**Elaine Thomson:** I am not sure that simply developing web pages is quite what is necessary. If those companies are heavily dependent on the

oil and gas industry and want to stay in business, they will adapt.

We talked about the role of enterprise agencies and the Government. We discovered that the main issue is to do with awareness and education. There were many misconceptions among the SMEs. A combination of activities is going on. The Department of Trade and Industry, chambers of commerce and enterprise agencies are trying to get the message across to the SMEs. Major oil companies in Aberdeen act as drivers in significant ways.

10:45

**Nick Johnston:** On page 2 of the report, you mention the cost of learning. Is there a virtual monopoly on masters degrees across universities? When my wife did her masters degree at Edinburgh University, it cost £4,500. I would have thought that the use of new technology would bring the price down. You mention that travelling costs will be reduced, but why should not the degree get cheaper with the availability of online learning?

**Elaine Thomson:** We were told that quality online learning is not a cheap option. It costs a lot of money.

**Nick Johnston:** Yes, but the cost affects the number of people who access the course. That means that the universities could bring down the cost and still generate the same revenue.

**The Convener:** The issue of cost is twofold. One part is the development costs of the materials. The other part comes from the fact that, in a classroom, a tutor addresses 15 or 20 people, whereas, with online learning, the tutor addresses only one person. I am told that that is why online learning can be costlier than the traditional method, depending on how it is done.

**Elaine Thomson:** We did not go into such detail when we talked to the universities. Aberdeen University and Robert Gordon University—perhaps the latter more than the former—have virtual campuses and market online degrees to Malaysia and all parts of the world. Both establishments said that the higher and further education sector is increasingly competing on a global basis.

**Marilyn Livingstone:** That was the point that I was going to make. SMEs in Aberdeen should take up the challenge of the new economy and e-commerce. The oil companies are a big pull factor—those are the words that were used. Many of the companies are turning to e-commerce to survive. However, we were disconcerted when someone from BP told us that they saw the new economy as a threat rather than an opportunity,

whereas the SMEs that had come on board were beginning to see the new economy as an opportunity. Because of the oil and gas industry, a larger percentage of SMEs in Aberdeen than anywhere else will be involved in the new economy.

The difference between the two universities' attitudes to online learning was interesting. Robert Gordon University's online campus was impressive. Two issues are involved. The number of foreign students could decline. Before the visit, I examined an MSc course in lifelong learning, which I thought would be quite interesting. I found that American universities were offering that course—the choice is greater than at Stirling University and Strathclyde University. We wanted to speak to the universities about partnership working, as that is what happens across the rest of the world. Universities—sometimes in different parts of the world—are getting together to deliver courses. It was interesting to see that two universities in the same place were at such different stages of development. When we conduct our major review of lifelong learning, it will be interesting to examine how far universities have got with their online campuses, which will be a major market in the future.

Nick Johnston mentioned cost. We asked about that and were told that online learning was not a cheap option, at least not in the beginning. It was tutor intensive and required the production of a lot of materials. The universities felt that they offered a competitive price. However, we should return to that matter, as it will be a major challenge to our universities.

**Miss Annabel Goldie (West of Scotland) (Con):** Is there a possibility of insularity in the Aberdeen area because of the dominance of the oil and gas sector? As Nick Johnston said, the oil companies are the big players in the area. Is there a tendency for the universities to think of e-commerce only in terms of what is happening in the oil and gas sector? What about the SMEs in the area that are not ancillary to the oil and gas sector? Is there a shadow over them in terms of their willingness to face up to what is happening?

**Elaine Thomson:** I refute absolutely any suggestion that Aberdeen or the oil and gas industry are insular. The industry is global and people move around in it with a—

**Miss Goldie:** I am talking about the climate in which people operate. Obviously, the oil and gas industry is international, but it could overshadow some of the smaller aspects of the economic community in the area.

**Elaine Thomson:** I may be wrong, but I think that there are hardly any companies in Aberdeen that the oil and gas industry does not have an

impact on, right down to the corner shops. We were told that 30 per cent of the SME sector is almost wholly to do with oil and gas and that 60 per cent is partially to do with oil and gas. What is disconcerting to the SMEs in Aberdeen is that the oil and gas industry is cyclical. It is buoyant at the moment—we are up at \$30 to \$35 a barrel—but it was all doom and gloom two years ago, with barrels going for only \$8. Over the past 15 or 20 years, I have seen that happen two or three times. Companies that think that they have nothing to do with the oil and gas industry find that they are affected by a downward turn in the cycle. That would affect not only people in Aberdeen and the north-east, because the importance of the industry to Scotland and the UK is much greater than is appreciated.

I am sorry. I have drifted away and am not answering your question.

**Miss Goldie:** You are, because my next point was on the infrastructure and Aberdeen's proximity to superJANET. Our report will mention the implications of that on infrastructure. Is there any sign that economic activity is being encouraged into the area because of the infrastructure bonus that superJANET gives Aberdeen?

**Elaine Thomson:** I cannot think of any evidence of that. Aberdeen will get ADSL, which will provide high-speed digital connections, and that will encourage economic activity. BP is about to network the North sea, which will connect Aberdeen to Norway and, probably, Denmark. Although I did not mention that earlier, it is in my paper. That will have a knock-on effect: the company will start to do procurement work in the middle of the North sea instead of passing that work onshore, and there is the potential to generate different economic activities.

**Ms MacDonald:** I am interested in the knock-on effects of global exchanges and e-procurement. I do not know whether you can go into those effects, but I will ask about them anyway. Who is displaced in that electronic trading, which must take the place of existing trading activities, and in which currency do people trade?

**Elaine Thomson:** Almost certainly dollars. Although I could not swear to that, as I have not checked it, I would have thought that that would be likely. These are US companies and the oil and gas industry is largely dollar run.

The people displaced by electronic trading will be those who have not signed up to it. The DTI, drilling and offshore contractors and some of the oil majors fund an organisation called LOGIC to improve the supply chain—many of the benefits of the new economy are in the improvements to the supply chain.

**Ms MacDonald:** Therefore, an end user who is literally on the rigs can buy supplies and services from the far east, Mexico, Venezuela or wherever. Someone is being displaced if companies trade business to business as directly as that.

**The Convener:** That is not necessarily the case. To give a parallel example, when Ryan Air introduced low-fare flights from Prestwick to Dublin, one might have thought that Aer Lingus flights from Glasgow to Dublin would have been displaced, but that did not happen. Instead, the size of the market increased enormously and Aer Lingus was forced to bring down its fares. I suspect that that is what is happening in this case.

**Ms MacDonald:** Okay.

**Elaine Thomson:** Undertaking procurement offshore is of real benefit to BP. Previously, it had a bunch of people onshore doing that work.

Electronic trading is essential for SMEs. For example, someone who is in the middle of the North sea might need to buy or rent drill bits. The company that sells those bits must ensure that its catalogue is online, so that the buyer can look up the catalogue and ensure that he is ordering the right size of bit.

**Mr McNeil:** There are challenges, as Margo MacDonald pointed out. This is not just about getting businesses to be more efficient about marketing.

The electronics industry is undergoing a fundamental shift, with the global players at the centre deciding where they will source their materials and design. The supply companies are being forced together; unless they can source the materials and design concepts, people will be displaced from the market or they will be taken over by a bigger player.

I suspect that something similar is happening in the oil industry. As well as having the tools, the industry must have the capability to design what people want. The local connection has been lost and local networks have become strained. The relationships that used to bring in orders, because people knew that suppliers could deliver on time and were flexible, are being challenged because electronic trading can also deliver and provide that flexibility—it can provide the total package—anywhere in the world. That turnkey concept is the challenge that we face. We cannot bury our heads in the sand—we must get into the game.

**The Convener:** Before I call Elaine Murray, I want to ask about key point 15 in Elaine Thomson's paper, which says that

"Global B-B"—

that is, business to business—is

"estimated at \$6335 Million by 2004."

Should that figure be \$6,335 billion?

**Elaine Thomson:** Quite possibly.

**The Convener:** I think that it should be, because the last figure that I saw for this year was £50 billion.

**Elaine Thomson:** I do not know where the figure came from—it is just enormous anyway.

**Ms MacDonald:** Gey big.

**Elaine Thomson:** We are talking about lots of money—millions and millions.

**Mr Home Robertson:** What is a factor of 10 among friends?

**Elaine Thomson:** What is the difference between a million and a billion, anyway?

11:00

**Dr Murray:** I was interested in the emphasis that the paper puts on skills shortages and on the problem of retaining skilled staff, who seem to be leaving not only Aberdeen but Scotland as a whole for Ireland and the south-east of England. Does that have a knock-on effect on inward investors, who will not want to invest because we do not have people with the right skills? Does it also apply to Margo MacDonald's comments about the perception that the textile industry in the Borders is not going to continue to be successful? Are Scotland and Aberdeen seen as too remote and expensive? Did you get a feeling about the problem of retaining trained people? Why do we not retain people?

**Elaine Thomson:** We are retaining people—the problem is getting people to come in the first place. Many different sectors in Aberdeen and the north-east have skills shortages—there are shortages of dentists and other medical people, for example. People who come to Aberdeen do not tend to leave, because it is such a brilliant place to be and has one of the highest indicators of quality of life in the country. As I said, the problem is getting people to come in the first place. I do not know whether that is to do with the oil and gas industry or whether it is to do with the perception that Aberdeen is far away and expensive. I think that expense is a significant factor—it is one of the issues that makes it difficult to recruit dentists.

A number of people mentioned that lifestyle issues have become much more important in meeting skills shortages and attracting the right kind of people, although it is also important to have attractive jobs and career structures. However, a lot of it is to do with a bunch of other soft, intangible stuff, such as having a nice view from your house and access to a good cultural infrastructure. The Highlands, the Borders and Aberdeen could capitalise on that.

The head of BP told me that, in order to attract young people into the industry, the company is trying to identify what they are looking for. One answer was that young people want to do cool stuff.

**The Convener:** I must point out for the record that when Elaine Thomson said that Aberdeen was one of the nicest places to live, with a high quality of life, Duncan McNeil said, "Aye—outside Greenock."

**Mr McNeil:** Not according to Aberdeen City Council.

**Elaine Thomson:** Scotland is blessed with many attractive places.

**Mr Home Robertson:** Including Airdrie.

**The Convener:** Thank you for your helpful presentation, Elaine.

We now come to Annabel Goldie's report on remoter areas—I emphasise that her report is not about insular areas but about remoter areas.

**Miss Goldie:** Duncan McNeil and I embarked upon a Hebridean odyssey that would have vied with Dr Johnson's. It was a positive bonding exercise.

**Mr Home Robertson:** Who was Johnson and who was Boswell?

**Miss Goldie:** That is a difficult call.

Our trip was extremely interesting. The ferry from Wemyss Bay to Rothesay was like a greyhound in comparison with the train service from Glasgow to Edinburgh. We started off in Bute and made our way to Lewis. On the final day, we made our way to the Inverness area.

On Bute, we were struck forcibly by the exciting activity that was taking place and that would not have happened unless the ISDN infrastructure had been put in place about nine years ago. As far as we could gather, that infrastructure was pivotal in attracting business. Perhaps we should draw a lesson from that. My recollection is that the former Highlands and Islands Development Board was responsible for the infrastructure.

On Bute, we found—as we were to find later in the tour—that a significant factor in remoter areas was the availability of premises, which was perhaps not such an obvious factor in more populated areas. It was clear that the people who had decided to start up businesses and invest in these locations had been wooed there by the physical availability of premises.

**The Convener:** What about the price of premises?

**Miss Goldie:** Because of the locations, premises tended to be reasonably priced. There is

not much competition in the market for these remote locations. As far as I can remember, property was very available on Rothesay and the enterprise company had helped to identify premises. In one case on Lewis, there had been quite an active engagement to ensure that a site was identified and that premises could be quickly constructed, and that had been significant in attracting a particular investor.

Although grant assistance for these areas had to some extent been an incentive for inward investment, indigenous businesses had been less of a factor as they had merely developed and moved on to that *modus operandi* of doing business.

Quality of life was another important consideration. We did not meet anyone who was dissatisfied with where he or she was working; indeed, most people praised their environment and physical circumstances and found them a very compelling reason for wanting to work in those areas.

An interesting feature emerged from the issue of personnel. The turnover of staff is very low compared with UK levels and that stability was a very attractive feature for employers. Perhaps people's contentment with the location has enabled them to stay put and find employment in their own areas, which would naturally make them reluctant to move.

I will not go over the other points in the report in detail. It is very obvious that the new economy has created a range of opportunities for remoter areas; indeed, businesses, especially on Lewis, would simply not have been there without it. One particular call centre facility is outlined on the first page of the case study. In a remote cottage at the end of a sea loch somewhere in the wilds of Lewis, we saw a woman downloading dictation from a barrister in London, which was quite an extraordinary concept. We could even hear a bus going past. I do not suppose that the barrister cares where his dictation is transcribed.

**The Convener:** I imagine that it is a lot cheaper than London.

**Miss Goldie:** That is right. There is also total convenience for the user, whose workplace needs are answered. That was an interesting example of complete flexibility.

**Dr Murray:** Was the woman providing the service self-employed?

**Miss Goldie:** There was a technical structure. The company itself was located in the south and the people who subscribe to make themselves available for transcription services are technically self-employed, and are not company employees. That option was quite attractive for some of them,

as it provided flexibility.

The question of the infrastructure came up repeatedly. Duncan McNeil and I are not technical geniuses and struggled to understand the implications of what was being discussed. Although the background of our tour of inspection was that ISDN was becoming old-fashioned and ADSL was the way forward, the situation was not that straightforward when we spoke to some technical people. ADSL might be a possibility for certain areas; however, technological advances could be taking us beyond that and there might be other technological options utilising radio signals, messages and God knows what else—we did try to understand the detail. Perhaps it is enough to say that the issue is not as black and white as it has been depicted. Indeed, I think that the infrastructure will prove to be a pivotal issue of this inquiry.

As for the issue of external threats, we became aware of possible conflicting influences in the Inverness area. We visited an impressive online shopping mall, where someone mans a website with shop access points which people can order from. However, one of the big supermarket operators is busily operating an online delivery service at a fairly reasonable cost. That is providing competition in these areas to existing traders and businesses, which are happily sitting at 4 High Street selling pots and pans or whatever and are impervious to what might become a very real challenge in the e-economy from the bigger concerns. That might have considerable implications for traditional operators in these remote areas. They simply do not see the need for change and are unaware of the pressures. As a result, there might need to be some education on that issue.

On the issue of training requirements, we did not discover any problem with technical skills, which was good news. However, there were two difficulties. First, older people were perhaps being impeded from re-entering the job market because they felt that they were technologically illiterate and unable to cope with that particular challenge and environment. Furthermore, several employers had told us that they had found it difficult to access that part of the market. I think again that people need to be educated on this issue.

The second difficulty was rather disconcerting and emerged particularly in the north and north-west—it was less obvious in Bute. Employers found that there was an attitude problem. Such remoter communities have followed very traditional patterns of industry and activity and perhaps have a more intimate approach to business than some of Scotland's more urban areas. As a result, there was a diffidence about dealing with the public, which was particularly

noticed in call centres. There was an indigenous Hebridean shyness and people felt slightly coy about dealing with complaints in particular.

The cultural aspect was signalled to us as an issue. Initially, we thought that it was a trivial criticism, but it turned out not to be. Duncan McNeil will perhaps agree with me on that. There was concern that the cultural aspect could affect the continuing attraction of such locations for some businesses. That is something that must be taken care of. Remote parts of the Hebrides are being accessed by calls from anywhere in the UK from people who are accustomed to an aggressive, abrasive competitive environment. The unfortunate respondent at the end of the line in Lewis has never encountered that. Many of the people have never worked outside Lewis, and some of them have difficulty adjusting. There needs to be an education process. That is not to say that they should become abrasive, bullying and provocative—far from it.

**Nick Johnston:** I can think of someone who could provide the training.

11:15

**Miss Goldie:** As I said, Duncan McNeil and I were initially inclined to discount the cultural aspect, but when we listened we were told that it was sufficiently serious and that it could become a factor.

**Mr McNeil:** The problem was with selling. People were more comfortable helping to set up the web for a customer or giving advice and assistance when something went wrong. The problem arose when the company tried moving people on to selling, which it needed to do to make a profit.

**The Convener:** Were people not aggressive enough?

**Mr McNeil:** They were not happy pushing sales. Perhaps the problem was the products that they were being asked to sell. We did not get into that. There was, however, resistance to selling.

**Miss Goldie:** The final sentence of paragraph 11 of the report cites the example of

“a college providing a call centre training course without the knowledge or involvement of the local call centre.”

That example was hearsay and turned out not to be correct. Is that right, Simon?

**Simon Watkins (Clerk):** Yes, that is true.

**Miss Goldie:** We should therefore delete that sentence, as it is erroneous.

There was no doubt in our minds that Lewis's success has been down to having a skilled individual who knew the area and had the skills,

business experience and a far-reaching network of business colleagues, all of which were drawn together to market Lewis in a most effective manner. That highlighted the importance of the role of individuals in remoter areas. It is essential to get the right person to take on the role of marketing the area. That person must also have an understanding of the technical aspects.

Our conclusion was that the new economy has perhaps had more impact in remoter areas in the past five years than it has in lowland Scotland, which was encouraging.

**The Convener:** I see a lot of coy people who want to ask questions. I call George Lyon.

**George Lyon (Argyll and Bute) (LD):** I have a few points of clarification. I am delighted with Annabel Goldie's report. I have first-hand experience of the impact of the new economy on the community in which I live and on the communities that I represent. The ISDN infrastructure was a joint venture—the programme was jointly funded by the old Highlands and Islands Development Board and BT in a classic example of public-private infrastructure development. The same has been done for the mobile network, which was installed under a joint venture between Orange, Vodafone and BT. The agreement was that one mast would be put up and each company would be allowed to put its receiver on the same mast. There is a huge geographical area to cover.

The new economy has driven wage levels up quite considerably in the community in which I live and which I represent. I hear quite a lot of complaints from local businesses. They say that it is ridiculous that the minimum wage level is up to around £5.10 an hour because Telecom Service Centres Ltd has put its rate up to that. That explodes the myth a little about jobs in call centres being sweat-shop, low-paid jobs. The new economy is having a huge impact in our communities on the number of people employed, the amount of disposable income and the general economic well-being of the community.

Finally, we talk about the public sector sometimes being averse to risk. When TSC first started up in our area, the public sector, through Highlands and Islands Enterprise and Argyll and the Islands Enterprise, pump-primed the company a huge amount to get it up and running. No one else in the country would touch the idea with a barge-pole—they did not think that it had any merit. As a result of taking that risk, HIE and AIE now own 25 to 30 per cent of TSC's capital, worth £4.5 million. They put in at least £0.75 million to £1 million in the beginning, supplied the buildings—the lot. That just shows that the public sector can take risk and can do so successfully. There are some good lessons to be learned.

**The Convener:** Some real changes are taking place. We have already had Nick Johnston advocating nationalisation.

**Nick Johnston:** That is what this committee does to you.

**Dr Murray:** I was interested in Annabel Goldie's comments about the attitudinal problems in more remote areas. That point is made about Scotland in general; it is said that we do not have quite the right attitude.

**Miss Goldie:** I should emphasise that that was an issue encountered in the north-west, but not in Bute.

**Dr Murray:** Yes, but some time ago the point was made to us that Scotland does not have the right attitude. The eighth deadly sin in Scotland is showing off. We do not want to promote ourselves too much, whereas in other cultures it is seen as not only okay but desirable to promote yourself. It is a general cultural issue for Scotland.

On training, I was interested to hear that there does not appear to be a lack of technical skills in remoter communities. How is the training being provided? Is the fact that there is no lack of skills down to what George Lyon said about the fact that there was investment? Is there online learning? Did public investment early on provide opportunities for people to be trained?

**Miss Goldie:** My recollection is that because they were remoter and fairly sparsely populated areas, there was a good relationship with local schools and colleges. There was a healthy working relationship between the company and the school, so that the company could point out what was expected and the school could work to meet that requirement. When people were taken on, the company provided significant training. Without exception, there was a healthy continuing training and monitoring process.

**Dr Murray:** How was that delivered? Were people sent somewhere to be trained?

**Miss Goldie:** No, the training was largely provided in-house.

**George Lyon:** I can offer some clarification, as I know the company in our bit of the world well. The training is all done in-house. There is a specific area in the building for training. Anyone who is taken on gets access to training. The company also has a good relationship with primary and secondary schools. Secondary schools work closely with the company. A lot of third, fourth and fifth year pupils work night shifts for the company, because it has flexible working hours. Few people work 40 hours in the company; there is a lot of flexible working to suit mothers returning to work. Often the kids get a job for a couple of hours a night.

**Ms MacDonald:** Who cleans the chimneys?

**George Lyon:** That is a good question.

The fundamental problem is a lack of keyboard skills, which are the one thing for which the company will not provide training. If an employee does not have the fundamental typing skills, the company will not offer the training package, because that is the most difficult and expensive bit to provide. That is where the public sector has been asked to come in. The enterprise company has set up courses, I think for everyone over a cut-off point of 26, that is, the people who were not given those skills at school.

**Dr Murray:** That is in your area, George. Was the situation the same in all the areas that you visited, Annabel?

**Miss Goldie:** That takes us back to what was said about the more mature element of the population. It is right that keyboard skills were an issue and one reason for the general apprehension about the new environment. We found that school leavers were proficient in keyboard skills, whether because of instruction or because so many youngsters use a personal computer in their day-to-day activities. It was certainly an issue for older people.

**The Convener:** I had some involvement with this company two or three years ago. One of the other points that struck me was the number of over 45-year-old males who were employed. They were regarded as being very good at the skills required to operate the call centres. If the committee considers the unemployment problem in Scotland, the biggest problem category is over 45-year-old males, not least in some rural areas. I do not know whether George Lyon qualifies.

**George Lyon:** I am getting closer every day.

**Ms MacDonald:** On the cultural gap between the smooth talkers in the southern call centres and the more sensitive folk in the north-western Highlands—

**Miss Goldie:** It was not southern call centres; it was customers accessing the call centre from the south.

**Ms MacDonald:** If they are rude in the south, do the folk in the north-west have to learn to be rude as well?

**Miss Goldie:** It is not a matter of requiring the people in the more remote locations to be toughies. We identified a serious issue that could potentially affect employment location. Hebrideans are noted for a gentle disposition, which is one of the attractions of the area. They have mostly lived in a remote area all their lives; some of them had never been to Glasgow or Edinburgh, never mind further south. They were suddenly accessed by a



United Kingdom audience, which exposed them to conduct, behaviour and attitudes that were foreign to them. An education process was required to help them to cope with that.

**Elaine Thomson:** Is this about the difference between assertion and aggression? It is not about encouraging people to be more aggressive, but about encouraging them to be more assertive.

**Miss Goldie:** It goes deeper than that.

**Mr McNeil:** There was an important emphasis on selling. My perception was that getting a sale was an important element. Part of the challenge is working under time pressure in a call centre.

A range of call centres and skills are required. In some call centres in Bute, you were calling the Bank of Scotland. The person there was able to take you through the form. All those skills had to be developed. The call centres can compete with a low-cost call centre somewhere else that sells or deals with tabloid competitions. In that case, you are just registering a call, whereas in Lewis other skills were required as people were assisting business to set up their web pages. People were attracted to the call centre because of that. However, it also needs people to sell goods. That is where they were meeting a little resistance.

There is also a cultural factor in such communities. This is a 24-hour-a-day operation seven days a week—including those days at the weekend. There were issues about that and there were employment issues, which should not be dismissed. In Uist, people were working from home online and were only paid when they were working. If the work did not come in, they did not get paid. They had no control over it. When we asked the people concerned about that, they said that it suited them. They wanted to live in those communities and the job enabled them to continue to live and work on the croft. They recognised the issues, but they were not major problems for them. However, there are employment issues about teleworkers being used in that way.

**Ms MacDonald:** Do the local enterprise agencies that are trying to attract call centres market the area as having added value because of the skills of the people?

**Mr McNeil:** Yes. In the IBM call centre, it is necessary to have the language skills to deal with someone who believes that they are phoning downtown Barcelona.

One of the biggest selling factors, in Bute and elsewhere, was that the premises were available. A customer could be taken to the premises and told that the call centre was there and could be running within a short period of time. Lewis was the same. Wherever you go, the premises are there and are ready for companies to move into.

11:30

**The Convener:** I am conscious of the time.

**Ms MacDonald:** I will be brief.

The importance of having the premises ready to move into has been taken on board by local authorities and the local agencies.

**Mr McNeil:** When we are considering the new technology, it may be worth while to identify the person in Lewis who markets that part of the world. He has strong views about what is happening in Scotland, which in his opinion is way ahead of what is said to be happening in Ireland. He has a lot of ideas for the future. He makes this tick in the face of resistance from the bank sector and other sectors that say, "This is not for us."

**George Lyon:** An attraction of the area is the static work force; there is not a 30 per cent churn rate as there is in the central belt of Scotland. Turnover is usually about 5 per cent. There is a pool of labour and members of the work force are likely to stay with the company if they are reasonably well treated.

The key to this has been the infrastructure. The HIDB was far-sighted when it took the decision to do what it did 10 or 12 years ago. The fundamental question that will arise further into this inquiry is, what happens next? Was there a fixed view as to the technology that the public and private sectors should become involved in?

**The Convener:** I ask Annabel Goldie to answer that question when she winds up. Are there any other questions?

**Mr Home Robertson:** I have dealt with fishermen for the past 16 months. I do not recognise lack of assertiveness as being a problem in the north-west of Scotland.

George Lyon mentioned the importance of infrastructure. We talked about it earlier in relation to the earlier reports. It is crucial for rural Scotland so we must focus on it.

**Nick Johnston:** The point about the involvement of remote areas in policy making is important. I am surprised that no one from the Highlands and Islands is on the digital Scotland task force. We are excluding the majority of Scotland, in terms of area, from an important initiative. That should be drawn to the attention of the Executive. Perhaps the clerk could write to the minister.

**Miss Goldie:** I was going to come to that in the wind-up.

**The Convener:** We will move to the wind-up now.

**Miss Goldie:** George Lyon has alluded to one of the most significant aspects of the debate. As

John Home Robertson has indicated, there will have to be a debate on what we are going to do about the digital infrastructure in Scotland. We cannot disregard that, as you need cheese to catch a mouse. There must be rigorous consideration of what we will do to ensure that Scotland is on the main stream of the digital highway as soon as possible. Time is against us. We cannot have this debate over the next three or four years. We must have a debate soon to work out a strategy, which we must then implement.

I have to say to George Lyon that I do not know what the answers are. That is part of the debate.

**George Lyon:** Did the companies give you any ideas?

**Miss Goldie:** No. I must confess that we became baffled technically, because we were given specific information from a technical man who had the background to justify what he was talking about. It was exciting and interesting. He felt that ADSL was not the big issue nowadays. We will need to take advice on that, and be prepared to explore further.

The omission from the digital Scotland task force of someone from the Highlands and Islands is unacceptable. It may have been an oversight, but this committee should write to the minister and suggest that that omission be rectified as soon as possible.

**The Convener:** Is everyone happy that we should do that?

**Elaine Thomson:** I may be wrong, but I think that that task force has reported.

**The Convener:** We can ask Simon Watkins to check that.

**Mr McNeil:** Do they make appointments on a geographical basis?

**The Convener:** I do not know. I do not want to dwell on that too much, but I think that we should write to the minister. It will then be up to the minister to decide.

**Mr McNeil:** There should be someone from the Borders as well.

**Miss Goldie:** I think that there is someone from the Borders.

**Mr McNeil:** Perhaps we should have a look at the membership before we write.

**The Convener:** Yes, that is a fair point.

The new economy inquiry has been going on for some months and, in the next six to eight weeks, we need to draw it to a conclusion. At least one other evidence session is scheduled for January, and our meeting at IBM in Greenock has now been arranged for the morning of Wednesday 31

January. After that meeting, Duncan McNeil will no doubt be taking us all out to lunch as his guests. Please circle that date in your diary, because we have been trying to arrange the IBM meeting for some time.

**Ms MacDonald:** Are we all going?

**The Convener:** Yes, Margo, it is a statutory meeting of the committee.

**George Lyon:** Greenock is a nice place.

## European Issues

**The Convener:** Members have three papers in front of them: an overarching paper on European issues, EL/00/30/2; a paper on the social policy agenda; and a paper on employment policies from the Council of the European Union. I want to draw members' attention to the first paper. The European Committee will, from time to time, refer matters to us for comment and consideration. Page 1 of paper EL/00/30/2, under the heading "Scrutiny Process", explains the process by which we will be asked to comment on European papers. It says:

"Once a document is deposited in the UK Parliament, the European Scrutiny committees at Westminster request an 'Explanatory Memorandum' from the relevant Whitehall Department."

On devolved matters, we are the equivalent of the relevant Whitehall department. Papers will be referred to us fairly regularly.

I assume that members have read paper EL/00/30/2. Simon Watkins has made three recommendations. The first is for the committee to

"further its understanding by questioning the Executive officials".

I will come back to that. The second recommendation is for the committee to

"indicate on which issues it would like to report back to the European Committee".

I suggest that we identify those issues when we consider the other two papers. The third recommendation is for us to

"instruct the clerks to prepare a draft note to the European Committee, to be agreed by correspondence".

That will follow from the discussions of the other two papers.

I would like to introduce Mabel Hildebrand from the new deal unit at the Scottish Executive. She has responsibility for the other two papers. Welcome to the committee, Mabel. I believe that you are not going to make a presentation but will be available to answer any questions.

**Mabel Hildebrand (Scottish Executive Enterprise and Lifelong Learning Department):** Yes.

**The Convener:** I suggest that we start with the social policy agenda paper. Since we received the paper, the European Union has made some revisions to it.

**Mabel Hildebrand:** Would you like me to run through those revisions?

**The Convener:** Yes, please.

**Mabel Hildebrand:** The original idea came out of the Lisbon European Council in March 2000, which recognised the need for

"modernising the European social model, investing in people and combating social exclusion."

There was broad agreement on the resultant paper, which the committee has received, but its text was considered disappointing, as it placed an emphasis on old-fashioned regulatory proposals. That was unwelcome, especially to us. After a number of redrafts, a new text was submitted to the employment and social policy council on 27 and 28 November. It provided a positive platform for EU action on social policy for the next five years. The agreed text will now be presented for adoption at the European summit in Nice tomorrow and on Friday.

Several changes were made to the paper that members originally saw. The agenda now includes positive references to employability, lifelong learning and the need to meet skill shortages, especially in information and communications technology—which is interesting, given the committee's earlier discussions. The agenda now recognises the need to target those who are economically inactive or who may face disadvantage in the labour market, in particular, disabled people, people from ethnic minorities and older workers.

The text of the agenda now contains no commitments to burdensome legislation for small business—that was a particular issue for us. There is now explicit recognition of subsidiarity, so decisions will continue to be made at national level unless a specific reason exists for them to be made at European level. The European Commission will support that with appropriate initiatives, although we do not yet know what they will amount to.

Member states will be asked to translate the new agenda into national or regional policies, setting specific targets. The Department of Social Security at Whitehall will lead in the production of the plan; the social inclusion division is the lead contact for the Scottish Executive.

**The Convener:** We are not under any pressure to respond immediately. The changes, particularly the ones that relate to lifelong learning and ICT skill shortages, sound to me as if they are substantive enough for us to want to see the redraft before we consider the social policy agenda. We could spend a lot of time on this paper, and then receive a second paper that had been substantially redrafted. I suggest that we wait until our January meeting and consider the redrafted social policy agenda.

**Ms MacDonald:** I want to be clear about the time scale. Mabel said that the text of the agenda

was on the table for the Nice summit.

**Mabel Hildebrand:** Yes.

**Ms MacDonald:** The redraft will therefore be over and done with by the time—

**The Convener:** Exactly.

**Ms MacDonald:** At least we will know what it says.

**Mabel Hildebrand:** It will be a final paper by January.

**The Convener:** Our responsibility is the implementation.

**Mabel Hildebrand:** Yes.

**Dr Murray:** I wanted to ask about that. The documents were interesting to read and contained all sorts of things that relate to our work, but what will our responsibility be? Are we to agree that the ideas are good? Are we to make suggestions on how to proceed? What are we being asked to do?

**The Convener:** Had we been discussing the current draft, the pages that would relate to our responsibilities are pages 15, 16, 18 and 19. Section 4.1, on full employment and quality of work, relates to a number of our responsibilities. For example, section 4.1.1.2, under the heading "Action", refers to the need to

"strengthen the lifelong learning theme under the Employment Guidelines".

Pages 18 and 19 touch on the knowledge-based economy, which also relates to our responsibilities.

**Dr Murray:** We have seen the documents, but what are we going to do about them?

**The Convener:** After reading the paper, it struck me that, when the redraft comes back to us in January, it might be useful to have a covering memorandum from Simon Watkins and me to suggest specifically what the committee should do. That would help as a guide.

**Dr Murray:** That would be good, because otherwise we might just go round the houses.

**Ms MacDonald:** If the European Committee gets the idea that it can send a lot of things to this committee and that we will do something with them, we will be sent something every week.

**Dr Murray:** We should focus on what is required of us.

**The Convener:** The social policy agenda paper has been fairly substantially redrafted. Can we agree to hold over consideration of that paper until our January meeting and to circulate it with a covering note suggesting what the committee would like to do with it?

**Members indicated agreement.**

**Ms MacDonald:** Perhaps you should rephrase that.

**The Convener:** The next item is the employment policies paper. I take it that there have been no changes to this one, Mabel.

**Mabel Hildebrand:** No.

11:45

**The Convener:** I looked through the paper for the committee's guidance. Page 3 refers to the fact that most member states

"still lack a comprehensive policy framework for lifelong learning, supported by appropriate targets called for by the new guideline, introduced in 1999 to address the challenges of the knowledge-based society."

That seems to touch on the subject of our next major study—lifelong learning. When considering the remit of the committee, perhaps we should consider the need for a comprehensive policy framework with associated targets, bearing in mind the European dimension.

The other page that is relevant to our work is page 27, which refers specifically to the action that is to be taken by the UK. The paper states:

"Some sectors, particularly information technology, suffer from a skills gap. The low level of basic skills is a generalised problem in the UK."

That should inform the remit for our lifelong learning inquiry as well. Also on page 27, subsection (4) of the recommendations on what the UK should do is important. It states that the UK should

"intensify efforts to implement initiatives on life long learning, particularly those aimed at increasing the general level of basic skills, demonstrating how access will be ensured for those groups traditionally reluctant to take up the opportunity or unable to find suitable provision."

That should also form part of the remit of our lifelong learning inquiry.

I suggest that the committee note the paper, and that the gist of our response to the European Committee be as follows. We have already agreed that our next major inquiry will be on the subject of lifelong learning—although we have still to agree the precise remit—and we agree that, in drawing up the remit, we will take into account the points that are raised in the paper as they relate to Scotland and the Parliament's devolved responsibilities. I do not think that we can do much else with the paper.

**Dr Murray:** Individual learning accounts are part of the Executive's programme to address some of those issues. That is why I asked what we are supposed to do with the paper. Is it to inform us? Are we supposed to express our views or to find

out what the Executive is doing to address those points? It would be interesting to know how the Executive's programme fits in with those issues.

**Elaine Thomson:** What the convener is suggesting is probably fine. All the papers contain references to gender differences—whether gender pay gaps, sectoral and occupational segregation between men and women, access to the labour market for single parents and so on. In the context of the lifelong learning agenda, it is important that we focus on how more women can be encouraged to enter the labour market and how proper access to training and education can be ensured at all the different levels. That consideration must inform our inquiry.

**The Convener:** Although that is not referred to specifically in subsection (4) on page 27, the paper recommends

“demonstrating how access will be ensured for those groups traditionally reluctant to take up the opportunity”.

That should address the gender issue.

**Ms MacDonald:** We can learn from Finland and Sweden—there are no such problems there.

**Miss Goldie:** I am not sure about the dynamic of the process. Is this a declaration of a general European policy intent, with a requirement on us to work out, with the Executive, how it is to be implemented, or is there an opportunity for a flow of information?

The third bullet point on page 27 of the paper states:

“Some sectors, particularly information technology, suffer from a skills gap.”

That is perfectly true: in certain areas, there is a deficiency of IT skills. However, in Scotland an alarming deficiency in science and engineering skills is emerging. Do we have the opportunity to feed that information back in somewhere? The paper seemed a bit like a blancmange to me—I did not know which bit to grab.

**Elaine Thomson:** I should have thought that we could feed that back in several ways. We can address that issue, which is important, in the inquiry.

**The Convener:** This is the European framework for employment policy. It touches on issues that need to be addressed at the European level, the level of British reserved matters and the devolved level. Our job is to address the issues that fall within our devolved responsibilities—in this case, primarily, but not exclusively, lifelong learning and related issues.

It seems sensible to inform the European Committee that our next major inquiry will be on lifelong learning, that we will take evidence from the Executive on what it is doing and what it is

going to do and that we can then submit our inquiry report to the European Committee to feed back into the UK and European system, so that it will be clear what we are hoping to do in Scotland. That seems the sensible route to take. Does Mabel Hildebrand agree?

**Mabel Hildebrand:** Yes. A UK employment action plan is in place, which includes some of the things that are happening in Scotland. A raft of measures have been implemented recently, such as the get-into-enterprise scheme and the announcements on learning accounts and so on. All those measures are covered by the great big European umbrella that says, “Here are all the important things that affect employment.” The social policy paper shows that there is a social issue, concerning getting people who are not in the work force into it and ensuring that lone parents are involved. There is a link between the two.

The social policy agenda is not yet agreed, so we have not produced an action plan for it. There is also no agreed employment plan, so the employment policies paper is asking how or whether we are getting on with it. The committee should ask whether and how we are getting on with it in Scotland. It is an enormous job to dig into all the different areas that come under the umbrella—from gender differences to lone parents getting into work and child care. There are many issues.

**The Convener:** We must keep our input to manageable proportions, and it must relate to the remit of the Enterprise and Lifelong Learning Committee.

**Marilyn Livingstone:** The whole equality issue runs through the paper. When we took evidence from the minister on individual learning accounts, we raised the issue of access and we talked about child care and travel costs. The minister told us that two pilot schemes were under way, which were investigating different models of support—child care and so on. As members will know, there are many models—skillseekers, the new deal, training for work and so on. Previously, we said that we would examine the different cost issues and consider the impact of the two pilots as part of our lifelong learning inquiry.

**The Convener:** Perhaps the clerk can suggest how we should address this.

**Simon Watkins:** It is fair to say that the European Committee has referred relatively little to us over the past six months. The committee referred the two documents because they set out the five-year policy of the European Union on those areas, thus forming a backdrop to any work that the Enterprise and Lifelong Learning Committee carries out, including our lifelong

learning inquiry. As the documents touch on devolved areas, the Scottish Executive has an input in the process. The Scottish Executive is consulted on the employment action plan by the UK Government. We should consider what input the Executive has, the issues that it raises and whether the circumstances in Scotland require different policy responses. That is why the documents were referred to us.

**The Convener:** I suggest that we ask Simon Watkins to write to the Executive on behalf of the committee, posing those questions. The answers would be helpful in designing the remit of our lifelong learning inquiry. Do members agree?

**Mr Home Robertson:** I understand that I am about to leave this committee and perhaps join the European Committee, so I am likely to see more of this kind of stuff. I am struck by the contrast between the way in which the committees of the Scottish Parliament consider the European agenda and the way in which it is done at Westminster. Despite 22 years' experience at Westminster, this is the first time that I have sat in a committee room considering the European agenda constructively. In Westminster, such matters are dealt with late at night, in huge bundles and are used as an excuse for a domestic debate on whether we should be for or against the European Union. I am immensely encouraged by the idea that we might be considering aspects of the European agenda in a constructive way.

**Ms MacDonald:** John Home Robertson will do very well on the European Committee. However, this has made me a sceptic.

**Mr Home Robertson:** What is new?

**Ms MacDonald:** Why on earth are we dealing with such issues at a European level? This morning we heard that we have a very localised problem—or perhaps a challenge—in the west Highlands, because of natural cultural differences. We can tackle issues of equality and quality of employment if we consider them in a local context.

**The Convener:** There is a practical answer to that. If we design Scottish solutions to Scottish problems within the European framework—

**Ms MacDonald:** So we just let them know how we are getting on?

**The Convener:** No. The paper says that the structural funds will continue to play a major role. It will allow us to make use of the structural funds—that is the key.

**Ms MacDonald:** So if the people in the west Highlands learn to be rude, they will get money.

**Mabel Hildebrand:** The issue of structural funds is quite important in this context. The funds go towards projects in the 2000-06 programme. We

have objective 3 money—which is €500 million or £300 million—which aims to provide support for work-related training, employability and lifelong learning throughout lowland Scotland. How that programme is developed will be important; local partnerships will propose projects.

There was a fairly good outcome for the Highlands and Islands—we got €308 million, which is about £180 million. That money will support various measures including business support and training, rural development and targeted support for infrastructure, which involves ICT training. The words in the documents and the projects that will come out of them are just what the committee was discussing earlier.

**Miss Goldie:** I suggest that the clerk picks out the words that you like, convener, in preparing the paper.

12:00

**The Convener:** I have two suggestions. First, I suggest that we write to the Scottish Executive with the questions that Simon Watkins raised. We would hope to receive a response by the time we meet in January to consider the new economy and European issues. Secondly, it might be useful if Mabel Hildebrand were to offer some input into Simon Watkins's paper. Members will bring their input, too. I suggest that we focus on key issues for Scotland, particularly in our lifelong learning inquiry. Members should bear it in mind that if we put that in the European framework—I was going to say jargon—it will help to leverage some investment from European structural funds, which is something that we would all want to happen. Do members agree?

**Mr McNeil:** Would it be possible to speak to the MEPs who have a particular interest in the matter?

**The Convener:** That will be covered by item 5 on the agenda.

**Mr McNeil:** I was thinking of the MEPs coming to us, rather than the other way round.

**The Convener:** That will be arranged as part of item 5.

**Mabel Hildebrand:** The subject is rather too complex to address in a few minutes. It would be a good idea if Simon Watkins and I produced a paper for the committee to simplify some of the issues.

**The Convener:** Good. In the meantime, do members agree that Simon Watkins should pursue those questions with the Executive?

**Members indicated agreement.**

## Research Support

**The Convener:** Simon Watkins will introduce item 4 on research support.

**Simon Watkins:** Members will recall that, at the meeting before last, we discussed a major piece of external research to support the committee's inquiry into lifelong learning. The conveners group has some views on that. Members also expressed an interest in background research to support the away day that the committee is proposing to hold early next year. That work will be undertaken internally by the Scottish Parliament information centre's researchers. Simon Wakefield, who has done much of the committee's research work to date, joins us now.

The paper sets out some suggestions for initial background research. Simon Wakefield has suggested that SPICe can probably undertake five pieces of work between now and the away day. He has suggested an initial list, based on the comments that members have made during meetings in the past few months.

**The Convener:** Yesterday, the conveners group approved the budget for external research that the committee agreed to in principle. That will inform our lifelong learning inquiry.

**Simon Wakefield (Scottish Parliament Information Centre):** We want to try to provide research that is as effective as possible. The more that we can plan ahead, using feedback from the committee, the better the work will be.

**Marilyn Livingstone:** I do not want to give Simon Wakefield extra work, but in the research on the new deal in Scotland, could we also consider skillseekers and training for work? Those initiatives are linked. We should consider the overall picture in vocational training, for example what is supported by the Employment Service and the enterprise companies.

**Miss Goldie:** Given our earlier discussions, perhaps Simon Wakefield could do some preliminary research on the digital infrastructure. We do not have much time. Our work load might mean that we will push to gather together our report on the new economy, and infrastructure is likely to be the predominant issue. Some general information might help us to focus our minds on the specific questions that we should ask at the away day.

**The Convener:** That is a good point. At that time, we will still be drafting our final report on the new economy. Infrastructure also affects competitiveness and productivity, so examination of that will be consistent with our longer-term work programme.

**Miss Goldie:** Long-term Scottish population trends are interesting and we need to investigate them, but not, perhaps, as a priority.

**George Lyon:** Do not we need to take evidence on that subject?

**The Convener:** The discussion is about a long-term work programme, which we have yet to decide on. We will decide formally on that after the away day. The paper that is before us is based on members' ideas, including George Lyon's idea on competitiveness, and my idea. I think that population trends are a big issue, but that is a matter for another day.

The paper is intended to inform the committee in preparation for the away day. Once we see some of the research, different angles will emerge, which will inform us. We have agreed that the lifelong learning inquiry will be mixed, but it will be important to plan the remit of that inquiry so that it is manageable work that will add value to the debate. The danger with lifelong learning—as with any subject—is that we make the inquiry so wide that we end up with a mishmash. It must be manageable.

**Marilyn Livingstone:** I mentioned the skillseekers and training for work programmes because they are relevant to the inquiry. It would be good to get the briefing on them, given the amount of money that is spent on them.

**The Convener:** In addition to that briefing, the Audit Committee has produced a report on skillseekers.

**Elaine Thomson:** The first suggested topic for a SPICe briefing, as shown on page 1 of the paper, is lifelong learning. Will not that form separate and external research, which will be done for us through the mapping of the lifelong learning environment? I thought that that was agreed.

**Simon Wakefield:** The idea behind the external research was to send out a questionnaire to the economic forums once they start to get established. As for the time scale, the idea is to get those results back in the middle of next year. We will need to allow time for the forums to collate the information and for them to co-ordinate things. I suggest that, in addition to the longer-term external research, we should provide a briefing on lifelong learning for the away day.

**Marilyn Livingstone:** That would help in deciding on the remit of the inquiry.

**Elaine Thomson:** Things are becoming clearer after our discussion today. With the new deal in Scotland, for example, could the research be broadened slightly to deal with some of the issues that surround labour market trends and skill shortages? A lot of the lifelong learning research is intended to map the training and education that we

provide against what is required.

**The Convener:** The research should perhaps be on wider labour market issues, rather than lifelong learning.

**Marilyn Livingstone:** I agree. I asked for that information partly because of the need to find out whether the vast sums of money that we spend in this area match what business wants.

**The Convener:** Do members therefore agree that we should widen the scope of the research briefing on the new deal so that it covers wider labour-market issues? We need to know the key issues that face the labour market in Scotland.

The situation with the digital infrastructure is quite urgent, given the state of our report. It is a separate matter and it needs to be covered in our report; it is not long-term work. I suggest that Simon Wakefield could work on that and produce something for us, perhaps with Ian Ritchie. If possible, we could do with that in January, rather than in February.

**Simon Wakefield:** Okay.

**The Convener:** Are there any other comments on the paper? Please note the date for the away day, which is—

**Marilyn Livingstone:** Is it during the recess?

**The Convener:** Yes—but it is not a recess; they are non-chamber days.

**Marilyn Livingstone:** Is that the right week? I have a different date in my diary. Maybe it is just me.

**The Convener:** The away day is during the week between 12 February and 19 February.

**Miss Goldie:** When is our away day?

**The Convener:** The Tuesday of that week.

**Elaine Thomson:** That is not during the February recess, is it?

**The Convener:** Yes it is.

**Miss Goldie:** But what is the actual date?

**Elaine Thomson:** I suggest that it is not a good date.

**Simon Watkins:** The last time we discussed this, members suggested that the recess was the best time.

**Elaine Thomson:** I offer my apologies, then.

**The Convener:** Is the proposal agreeable to members?

**Members indicated agreement.**

## Europe Familiarisation Programme

**The Convener:** The next item is the European Parliament familiarisation programme. I thank Simon Watkins for his work on this. The programme has been drawn together by the conveners group and by European Parliament people.

A detailed paper has been circulated on the programme. What it boils down to is this: the Scottish Parliament clearly has a role in establishing relationships with all European institutions, including the European Parliament. There is a need for continuing dialogue between the Scottish Parliament and its committees and the European Parliament. As has been clear from earlier discussions, a number of issues concern both institutions, and there is a need to exchange views and information.

The initial stage is a proposed familiarisation trip—in January, I believe—that will involve a representative of each committee. The visit will be paid for by the European Parliament, rather than by the Scottish Parliament, which makes the visit doubly attractive. We need to advise the conveners group whether we agree to send a representative, and if so, we must decide who that representative will be.

**Elaine Thomson:** It was suggested previously that the representative might be you, Alex.

**The Convener:** That is fine.

**Elaine Thomson:** Margo MacDonald and I have already had the benefit of some European familiarisation.

**Ms MacDonald:** Oh! She went to a brown cafe.

**Elaine Thomson:** So did she.

**The Convener:** Do members agree that I should be the committee's representative on the visit?

**Members indicated agreement.**

**George Lyon:** I have one point to make on the proposal. I looked through the itinerary of the visit and I note that two full days are planned for the European Parliament. Without being disrespectful to the European Parliament, after spending three years lobbying there, I think that it would be of interest to colleagues to concentrate more on the Commission and on UKRep, the Permanent Representation of the United Kingdom to the European Union. That is where the power is. With all due respect to the European Parliament, it is—

**Mr Home Robertson:** A waste of space.



**George Lyon:** John Home Robertson may well say that. Certainly, I did not accord a high priority to the European Parliament when it came to lobbying. The relationship between UKRep and Scotland House is the fundamental issue, and we must find out how that relationship is working—or, indeed, whether it is working.

**Members** *indicated agreement.*

**The Convener:** Time for that is being set aside for all representatives. Given that the European Parliament is paying for the visit, it must find some time to—

**George Lyon:** I understand that, but it is so important to—

**The Convener:** You are absolutely right, George. Time has been set aside.

**Ms MacDonald:** Instead of going to the plenary session, you could go to one of the European Parliament's committees, convener. It is they who do the business with the other crowd—that is not for the *Official Report*.

**The Convener:** Elaine Thomson and you can tell me which brown cafe is the best one to go to.

**Elaine Thomson:** Margo is the expert on that.

**Mr Home Robertson:** Alex, when you are at it—

**The Convener:** Could you rephrase that?

**Mr Home Robertson:** No, I will leave it like that. There is a lot to be said for making contact with equivalent committees of other devolved Parliaments—the Länder and the Spanish regions, for example. They will establish similar liaison. It is important to do that when the opportunity arises.

**The Convener:** That is a useful suggestion. As agreed, the next item will be taken in private, which means that this is the end of the public session.

12:13

*Meeting continued in private until 12:51.*



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