

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Monday 17 June 2002
(*Afternoon*)

Session 1

£5.00

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE

19th Meeting 2002, Session 1

CONVENER

*Alex Neil (Central Scotland) (SNP)

DEPUTY CONVENER

Miss Annabel Goldie (West of Scotland) (Con)

COMMITTEE MEMBERS

*Rhona Brankin (Midlothian) (Lab)

*Brian Fitzpatrick (Strathkelvin and Bearsden) (Lab)

*Mr Adam Ingram (South of Scotland) (SNP)

Gordon Jackson (Glasgow Govan) (Lab)

Marilyn Livingstone (Kirkcaldy) (Lab)

Mr Kenneth Macintosh (Eastwood) (Lab)

*David Mundell (South of Scotland) (Con)

*Tavish Scott (Shetland) (LD)

*Andrew Wilson (Central Scotland) (SNP)

COMMITTEE SUBSTITUTES

Mr David Davidson (North-East Scotland) (Con)

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

John Farquhar Munro (Ross, Skye and Inverness West) (LD)

*attended

WITNESSES

Mr Ken Abernethy (Argyll and the Islands Local Economic Forum)

Councillor Sandy Cluness (Shetland Local Economic Forum)

David Finch (Shetland Local Economic Forum)

Mr Jim Johnston (Moray, Badenoch and Strathspey Local Economic Forum)

Mr Maurice Mullan (Shetland Islands Tourism)

Jim Smith (Shetland Local Economic Forum)

Professor Peter Timms (Argyll and the Islands Local Economic Forum)

Douglas Yule (Moray, Badenoch and Strathspey Local Economic Forum)

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ASSISTANT CLERK

Jane Sutherland

LOCATION

Lerwick Town Hall

Scottish Parliament

Enterprise and Lifelong Learning Committee

Monday 17 June 2002

(Afternoon)

[THE CONVENER *opened the meeting at 13:58*]

The Convener (Alex Neil): I open the 19th meeting in 2002 of the Enterprise and Lifelong Learning Committee. It is nice to be in Lerwick in Shetland. This is my first visit to Shetland and so far I am enjoying it thoroughly. I am sure that I will enjoy the next two days as well. I thank the council and Tavish Scott MSP for their assistance in making the arrangements for the meeting, which I believe is the first formal parliamentary committee visit to Shetland. I hope that it is the first of many.

I ask everyone to switch off their mobile phones and pagers. Apparently, it will not be enough to switch them to silent; they must be switched off because of the sound system. We have received four apologies, which are due primarily to illness, from Marilyn Livingstone, Annabel Goldie, Ken Macintosh and Gordon Jackson.

Local Economic Forums

The Convener: The first item is on local economic forums. I welcome David Finch, who is chief executive of Shetland Enterprise and acting chair of the Shetland local economic forum; Councillor Sandy Cluness, who is the chair of Shetland Islands Council's development committee; and Mr Jim Smith, chair of the local branch of the Federation of Small Businesses. We have received written evidence. David Finch will kick off by introducing the evidence and will bring in Jim Smith and Sandy Cluness as and when appropriate.

David Finch (Shetland Local Economic Forum): Good afternoon and welcome to Shetland. Two forum members accompany me this afternoon. Jim Smith has his own marine surveying business, but in the context of the LEF it is relevant to highlight that he is chairman of the local branch of the Federation of Small Businesses. Councillor Sandy Cluness has many roles in the community, but in the context of the LEF it is relevant to highlight that he is chairman of Shetland Islands Council's development committee. As the convener said, we have made a submission to the committee, so my introduction will be brief.

First, with reference to one of the original tasks of the LEF, which was to remove duplication and confusion in business support services, it is worth highlighting that agencies and organisations that work in Shetland benefit from the common boundary that is provided by the sea. Thus the local authority has to deal with only one local enterprise company and vice versa. That provides clear channels of communication.

Secondly, since the 1970s, Shetland Islands Council has played a major role in the development of the local economy. As a result, a history of close working relationships has built up between the local authority and the centrally funded bodies—first the Highlands and Islands Development Board and now Shetland Enterprise.

Thirdly, although Shetland no longer has an active chamber of commerce, it has strong trade associations which—among their other roles—act as intermediaries between the industries that they represent and the agencies that support them. More recently, the FSB has emerged in a similar role.

The cumulative effect of the three factors—a common boundary, a long history of working together and a strong sectoral focus through the trade associations—has resulted in a network of support for businesses that, although it is extensive, eliminates duplication and provides a

high level of information to potential clients. That was the main finding of the mapping exercise that was the focus of the LEF's work in year 1. Nevertheless, the mapping exercise highlighted areas in which improvements could be made. Those areas formed the year 1 action plan; information on progress is contained in the written submission that has been prepared for the committee.

I will make three final points about the effect of the formation of the local economic forum. First, improvements will flow in the changes to business support services to make them even more accessible. Secondly, as its year 2 task, the LEF has chosen to consider schools issues as a whole. Previously, no forum was able to examine such important issues in such depth and breadth. Finally, the local economic forum has encouraged action to produce an area-wide economic strategy that looks 10 years ahead. That is intended to form the local economic input to the community planning process.

We are happy to take questions.

Brian Fitzpatrick (Strathkelvin and Bearsden (Lab)): On the schema for economic fora, given the close working relationships that are argued for, and given the task force's reports—which genuinely applaud partnership working in and around Shetland—is there any need for a local economic forum? What benefits are to be gained from it? Is it another layer of people coming together that would exist even had it not been invented?

I am interested in future steps. You mentioned work on the importance of mapping out learning and skills provision in Shetland. Where might that go as a result of Shetland's unique characteristics, or as a result of any characteristics that you might share with the rest of Scotland?

Councillor Sandy Cluness (Shetland Local Economic Forum): The LEF has still to prove itself. As the committee has heard, the problem with a place such as Shetland is that there is a proliferation of meetings. Another problem is that if someone does not attend a meeting, people notice. The council has created an economic forum and we have considered combining that with the LEF, although that would involve a wide range of representatives and we are not certain whether the groups would gel. However, I can say that members of the community work closely together, so regardless of the organisation's future, I am sure that the situation will be fairly healthy. I might talk about education later.

Jim Smith (Shetland Local Economic Forum): From the point of view of small businesses, there has been a change. When we produced a guide to business services and published it on paper and

on the web, all the small businesses suddenly had access to information about where to go for assistance. That was one of our early successes.

We can go to a number of other places and follow many more avenues. For example, I would like to see a guide to training. We are discussing publishing a document on training providers in Shetland, and not just the colleges, schools, and local authority services. Many private firms provide training as part of their business and we must co-ordinate that so that everyone knows where they can go. People who sell some computer programs provide training in them, but that is not well known around Shetland. The local economic forum has started, but we have a long way to go.

David Finch: Our action plan for year 2, which will deal with skills issues, is that we will first undertake a survey to establish a match between the skills that are needed to assure Shetland's future competitiveness in key economic sectors, and the skills that are available on the islands and the capacity of the learning infrastructure to undertake the necessary upgrading of, or addition to, those skills. That will be a massive job, but it is the essential foundation for ensuring that Shetland has the skills to transform its economy into a modern economy that can cope with pressure and take the opportunities that will arise.

Councillor Cluness: For that reason, we have given responsibility for administration of our two main colleges—Shetland College and the North Atlantic Fisheries College—to the development department of our council. As David Finch said, as part of the background to the strategy for the future, we will try to ensure that we have people who not only have the skills to work in our indigenous and other—I hope—growing industries, but who can bring on the managers and provide the high-quality education that will ensure the success of those industries.

Tavish Scott (Shetland) (LD): The last time I sat in a formal committee meeting here was some years ago, when Jim Smith was elected a distinguished vice-convenor of Shetland Islands Council.

David Finch said that the local economic forum's year 2 plan is about learning and skills. I would like the witnesses to address two areas. The first is the effect of Careers Scotland and the changes that it might introduce. What might its effect be on service delivery in Shetland? Secondly, your paper to the committee indicates that there are gaps in provision, for example in management training and in relation to the university of the Highlands and Islands. On management training, my concerns relate to the importance of making sure that there are management teams not just in Shetland Catch Ltd, but across the breadth of Shetland's businesses. How do you plan to roll out what you

describe as “mentoring”? Is the UHI at the core of delivering learning and skills in the islands, or are there particular challenges that are still to be addressed?

David Finch: Shetland Enterprise works closely with Careers Scotland—which used to be Shetland Careers Service Ltd—which occupies offices adjacent to ours. Shetland Enterprise spends about £750,000 each year on delivering programmes to young people as they leave school. The advent of Careers Scotland will enable us to work even more closely to make sure that those people get the guidance that they need when they choose their careers and the training programmes that they will need to make a success of those careers.

We also hope that we can, through Careers Scotland, have a more influential role in the classroom, so that we can help to introduce to the challenges of vocational training young people who would benefit from that, rather than have them pursue a purely academic line. That would help us to achieve parity of esteem between those two post-school routes.

Jim Smith: I have a comment on the management training part of the question. We find from small businesses that management training has been severely lacking in Shetland. The LEF has identified that issue. If you are in a small business, you are not only the work force, you are also the management. There are a few large businesses up here, but in the main they are small one, two, three or four-person businesses.

Just after the LEF started, the enterprise company ran some management training for small businesses. I have not been able to get on a course, because of oversubscription. I believe that one such course has been set up on Fair Isle, which is fully subscribed, and another is being set up on Unst. I do not know whether the Unst course is oversubscribed, but every course has been full. Those islands are at the two extremes of Shetland. I think that five courses have been run, and they have been run at times to suit business people, so that the courses fit people's work patterns. People therefore do not have to take time off. The courses that I tried to get on were at weekends, but there was no chance of my getting on them.

As far as Careers Scotland goes, David Finch and Sandy Cluness will know much more than I do, so I will not confuse the issue by contributing.

14:15

David Finch: I would like to follow up on a point that Tavish Scott made about the breadth and depth of management training. The community planning board recognised that each of our

organisations—the health service, the police, the local authority and the local economic forum—had generic management training needs. Not only basic management skills were needed, but skills, training and development that would allow people to come to Shetland to make professional careers for themselves were also needed. Part of the current problem with introducing such management training is that, because of small numbers, it is not always possible for the colleges to provide exactly what we want.

However, by joining together, we should be able to overcome problems and generate economies of scale so that there will be a management training programme for people who want to follow a career in Shetland, rather than come here only for a few years. Sometimes, people think that they are not getting the experience that will allow them to reach where they want to reach in their careers. Through intervention, we hope that such needs will be provided for. We are linking that approach to ensuring that the UHI becomes established in Shetland. We are fortunate in having two colleges and we want to ensure that each college can participate fully in the UHI—in particular, the North Atlantic Fisheries College—and have access to research and technology. That will help to provide a foundation for a modern economy in Shetland.

Councillor Cluness: Over the past year or so, funding of the colleges has proved to be difficult for us. We hope that the Scottish Executive will recognise that and assist where possible. We hope to implement a management system to try to derive funds from Europe, for example. One reason for going down the generic training route is that we anticipate that industries will contribute more to the cost of the colleges than they have in the past.

Rhona Brankin (Midlothian) (Lab): My first question follows from Brian Fitzpatrick's question. Given that Shetland is a fairly small community, how do you see the relationship between the local economic forum and the local community planning board? Is there a clear role for both organisations?

My second question concerns the difficulties that are involved in developing a Shetland-wide integrated economic strategy, given the diverse nature of the Shetland economy and the separate support structures and funding streams for agriculture and fisheries in the past. How can integration in the Shetland economic plan be achieved?

Councillor Cluness: The economy is diverse, but it is somewhat limited and we would like to expand it. The problem in Shetland is that 8,500 people are employed in the service and public sectors, but only 3,000 are employed in the old industries such as fisheries and agriculture. Members will know that much of the fishing

industry is in dire straits, especially the white-fish sector. We must build on that part of the economy.

We are preparing a 10-year plan. Because of past investment, we have been able to retain industries in a way that may not have been possible elsewhere. However, if members have heard today's news, they will know that circumstances are changing. In future, the amount of oil reserve money that we will be able to invest in the economy will be strictly limited. We will have to direct the money as best we can, which is why we are considering changing the way in which we operate development. We expect our development trust to be involved more directly in day-to-day applications for finance and we are looking to the development department and others to devise a strategy within which sensible and wise investment can be made. Investment was often used in the past to keep people in jobs, rather than to develop an industry in the best possible way.

We are moving into an era in which we will have to be much more proactive and focused. That is why we see the work that is being done in education, training and planning as being vital. We have tended to invest to protect industries rather than as part of a strategy for the future. Both colleges have an important role in future strategy making. That is perhaps more obvious in the case of the North Atlantic Fisheries College, where we have located part of our development section. The section is charged with devising proposals and a strategy for reviving our basic industries. Shetland College has a similar role in the rest of the economy. Our money is dwindling and will have to be used more carefully in future if we are to have a worthwhile economy. Over time, we must divert jobs that are currently in the very large public and service sector into other parts of the economy.

David Mundell (South of Scotland) (Con): I have been very sceptical about the work of economic forums in the rest of Scotland. I was interested in what you said about preparing a 10-year plan, and in what Jim Smith said about some of the initiatives that are planned for the future. Are you sure that only the local economic forum could do those things? Who would take on a 10-year local economic plan if the forum did not exist?

Councillor Cluness: We would have to draw up such a plan even if the forum did not exist. It is important to have an economic plan that will shape us up for the next 10 years. We expect that Shetland Enterprise will provide co-operation and expertise. Local forum members will feed into the plan and will help to revise the strategy to reflect the position that we have reached. A draft strategy already exists.

David Finch: The local economic forum ensures private sector involvement in the development of the local economic strategy, which is vital.

David Mundell: Is there no other mechanism for achieving that?

David Finch: I do not know of one.

Jim Smith: The forum is possibly one of the better places to develop the 10-year plan. The others are the local enterprise company and the council. The trouble with a 10-year plan for the council is that the council has elections every four years. The trouble with using the enterprise company is that it is governed down stream by the Executive, which also has elections every four years. I would like to think that we in Shetland can work together within the guidelines that are set by both funding bodies in Shetland, to produce a plan that will be for the good of Shetland.

We have a fairly wide grouping in the local economic forum, but we could perhaps be expanded slightly to include more private concerns. Some people regard the forum as being slightly top heavy with council and governmental representatives. Bringing in the private sector more would appeal much more to and have more credibility with Shetland's public.

To answer Rhona Brankin's question on the link between community planning and the LEF, Shetland is a small place and we all wear several hats. Some community planning people are either on the council, the LEF or the LEC. That means that there will be integration. I have had no problems with the community planning forum. In fact, we get incredibly supportive feedback from it and we reciprocate that support. We might want to modify the forum's plan, but we can support it. Integration is a fact in Shetland, where you meet the same faces in the same places all the time. Such integration will ensure that the forum and community planning work closely together.

Councillor Cluness: My view is that too many fora and organisations are trying to do the same thing. However, that is a personal opinion. I am not convinced that Shetland needs such an organisation as the forum, but I am willing to be proved wrong. I know that the finance that will be required will have to come mainly from our oil reserves. That finance must be focused carefully. If we can develop expertise and use that co-operatively, so much the better.

We are considering the council's structure. Members might be aware that in 1999 the council set up several fora to consider all aspects of work, from agriculture to everything else. Those fora have been relatively successful, but we have found, as was said, that often the same people are on many of the fora. We will have to reduce the number of fora and consider carefully how we can best consult the public and use future findings.

There is, as I said, a good relationship between the development section of the local authority and

Shetland Enterprise. As far as I can see, the work of the LEF is also progressing in the way that we want. However, I am not certain about the best method of economic development for the islands.

David Mundell: I want to clarify a small point. You said that the council's economic forum was broader. What did you mean?

Councillor Cluness: It is possible that that economic forum has a wider range of membership. I will perhaps get a copy of its constitution for the committee's information. The council's forum includes representatives of the major industries and so on and was created in 1999. We have recently been considering whether the fora might merge, because a great deal of their work is similar.

14:30

Mr Adam Ingram (South of Scotland) (SNP): I am not entirely convinced that the local economic forum is adding any value to what you were doing already. I am particularly concerned that I have not heard a great deal about the input of the private sector and local businesses. I noticed in the papers how much was made of the importance of trade associations in Shetland, even though there is no chamber of commerce to provide management training and so on. What is the private sector contributing to the local economic forum and how will that add value to the activities that seem to be a continuation of what the council and the enterprise company were doing anyway?

Jim Smith: I had better take that question, because I am the only representative of private industry here. You will find that the major sectors of industry in Shetland, such as fishing, farming and small businesses, are represented on the forum. As you say, we do not have a chamber of commerce. A lot of the stuff that has happened was not happening before. That is the difference that the forum has made. For example, a booklet giving all the training providers had not previously been published. That could have been done before the forum was set up, but nobody thought to do it until we did it.

Mr Ingram: Is that because the private sector is there telling the public sector to get its finger out?

Jim Smith: Yes—that is basically the reason. The discussions at the forum are robust and few punches are pulled. We have never been rude to one another, but on some occasions biting and accurate comments have been made. The Shetland Fish Processors Association, the Shetland Salmon Farmers Association, the Federation of Small Businesses and the colleges—which are not only large education providers but major employers—and Shetland Islands Tourism, are represented on the forum.

The major industries are represented.

Speaking from the perspective of the Federation of Small Businesses, I think that the forum has made a difference. The management and business start-up training that has come into being since the forum was set up has been made known to people. I do not know how good the courses are because, as I said, I could not get on them. That is the difference that the forum has made. It is a slow process. It takes a while to change the momentum and direction of the large organisations with which we are dealing. There are no instant results from dealing with an organisation such as Shetland Enterprise or Shetland Islands Council. They have their own momentum and the forum has to guide that or kick them into line. I prefer guiding.

Andrew Wilson (Central Scotland) (SNP): I will pick up on the point that Jim Smith made about Shetland Enterprise and Shetland Islands Council being big ships to turn. What is David Finch's reaction to that comment? The question that seems to arise is what you were doing before the forum came along. Although we have heard a stout defence of the forum, it points the finger at yourself, does it not?

David Finch: We are always willing to take advice and guidance. We listen to the people whom we are meant to serve.

Andrew Wilson: Jim Smith's point was that you were not doing so. What was going on?

Jim Smith: There was no way of getting what was wanted, because there was no mass push. Individuals would say what they wanted, but because it was coming from an individual not as much attention was paid as when an organisation said, "Get this sorted out."

Andrew Wilson: How does David Finch feel about that?

David Finch: We are willing to meet what our customers want. Every now and then it does no harm to consider what has been achieved, what are the challenges for the future, whether something could be done better and whether a change of direction is needed. The discussions at the local economic forum have provided quite a lot of food for thought.

Andrew Wilson: I want to return to the nub of the question. The local economic forums were set up to do what David Finch has just described, although the evidence from around the country on whether they have done so is mixed. Mr Smith said that you have a good business lobby, that the case for the LEF is developing and that everyone knows what they want to see happening. However, I understand that the council and the LEC have not been as responsive as they could have been.

Councillor Cluness: In the not too distant past, the council invested £100 million in businesses. The situation prior to the establishment of the forum was that we had agricultural, fishing, knitwear and tourism working groups. It was thought that it would be better to have one body to represent the broader industry viewpoint. All of the trades and industries are represented on the council's own forum, in addition to being represented on the local economic forum. One way or another, we have to resolve that duplication.

Andrew Wilson: A moment ago, Councillor Cluness, you said that there are too many organisations.

Councillor Cluness: We have too many organisations for too small a population. The people who are willing to be harnessed get all the work to do, as the same people tend to appear at a wide range of meetings. It would be advantageous for the local economic forum to solve that problem by concentrating the efforts of those involved. However, the local authority feels obliged to consult as widely as possible with industry and other elements of the community. The forums were seen as a means of doing that and, to a certain extent, they have succeeded in doing so.

Andrew Wilson: That is understood, but what would you get rid of? In some places, people in your shoes, Mr Smith, say that they do not see much point in having a LEC while others take the view that they like LECs. Usually, it depends on who has the best dealings with the LEC. On balance, what is the business community on Shetland's view of the LEC?

Jim Smith: The balance of the business community on Shetland's view is that the council and the LEC were not doing a bad job before, but that they are doing a better job now.

Andrew Wilson: That sounds terribly polite.

Jim Smith: No. When I was on the council, there were guys who hated the council and there were guys who hated me. It was not all sweetness and light. It is hard to change a large organisation such as the council, but I tried to change it.

Andrew Wilson: If you had to get rid of the economic development effort of the council or that of the LEC, which would you choose?

Councillor Cluness: There is a question.

Jim Smith: That is similar to the question "Have I stopped beating my wife?"

Andrew Wilson: Have you?

Jim Smith: She beats me.

We need both. However, a single entry point

would sort out the differences between the two. There will always be slight differences between the two.

I agree with Sandy Cluness that there are too many forums and too many meetings, many of which are ineffective. If we were to compare the forums on a like-for-like basis, it would be possible to see which of them should be knocked out. I am not going to make a judgment today on which one should be knocked out and which one should be kept. I would put the local economic forum up against any other forum and let it take its chance. I am not saying whether it would win or lose.

Andrew Wilson: I have one other question. Councillor Cluness made a point about the amount of money that goes into retaining industries. Will you say a few words about what is being done in that respect? What industries have been retained as a result of public sector intervention?

Councillor Cluness: As I said, we have a small, almost negligible, unemployment situation that masks the true difficulties we face on the islands. Many of our industries are in crisis.

Through the fairly massive public injection of about £100 million—more than that, in fact—we have been able to maintain industries. In many cases, we have not advanced those industries to the extent that I would have wished. This is the difference between the local authority funding and central Government funding: if we had had to rely on central Government funding, we would not have been able to maintain those industries at all.

Under the current circumstances, with oil reserve investments tumbling in value, we have to use the strategy that David Finch and others prepare to make those investments more wisely and in a more focused way. That is what we intend to do in the future.

As far as the private sector is concerned, we have modified our development trust, which was formerly made up entirely of local authority representatives. It is now a much smaller operation, involving four local authority members and four members chosen from the private sector. The trust will be scrutinising investments in most of our major industries as those come along.

Andrew Wilson: What does that mean? You referred to an investment fund of roughly £100 million, or perhaps more. How long a period is covered by that?

Councillor Cluness: I would prefer to get you the exact figures, but £100 million is the approximate amount of money—

Andrew Wilson: Are you paying direct subsidies to businesses?

Councillor Cluness: We use a variety of ways,

involving property and machinery for example, to assist where we can. Many of the industries concerned are repaying us at quite reasonable rates. As you know, we have a property company, the Shetland Leasing and Property Company, which owns property. Then there is the development trust, which is used to support industry directly. We also have grant schemes similar to those of other local authorities. We have used the funds in a wide range of ways to maintain the population at its present level. We have managed to achieve that to date, but we cannot be sure about that for the future.

The Convener: Thank you very much indeed—that evidence was very helpful.

We need now to move on to our next set of witnesses. I welcome Douglas Yule, who is chief executive of Moray, Badenoch and Strathspey Enterprise, and James Johnston, executive director of the Moray Chamber of Commerce and chair of the Moray, Badenoch and Strathspey local economic forum. I ask James to lead off.

Mr Jim Johnston (Moray, Badenoch and Strathspey Local Economic Forum): Thank you, convener. You have given us our introductions, but Jim is my preferred name.

The Convener: Okay. Because of the acoustics in the hall, I ask the witnesses to speak up; otherwise, the people sitting at the back will not be able to hear you properly.

Mr Johnston: I will try my best. I am suffering slightly from a cold, which may interfere a little, although I hope not.

The area covered by our local economic forum is somewhat different from Shetland. In our area, we have two councils, two chambers of commerce, two colleges and two tourist boards. The one common factor across our area is the local enterprise company, which covers the whole of Moray, Badenoch and Strathspey.

Our area has the largest population within the Highlands and Islands Enterprise network. Because of that, and because of the approaches of the different players on the economic scene, some fairly good partnerships are already in existence. There is a reasonable track record of bodies co-operating and of bodies being formed to deal with particular projects—for example, regeneration projects in certain areas.

14:45

Those bodies used to be composed of public sector players, but now the private sector is involved as well. It was about two years ago, during a particular town regeneration project in our area, that the private sector came in for the first time. That shed new light on our approach. Public

money was being directed at problems in the area, but we benefited from private sector input to the way in which we dealt with issues and spent that public money. I say “we” because at the time I was in the public sector. I have since made the switch to the private sector.

I think that forum members would agree with my view that the local economic forum approach is an endorsement of the approach that we have used over the years.

Douglas Yule (Moray, Badenoch and Strathspey Local Economic Forum): I support what Jim Johnston has said. We have good working relationships with local community groups and business groups. That is a feature of LECs in the Highlands and Islands area. There are no enterprise trusts in our area; such as they were, they disappeared in the early 1990s. We were quite happy that, in addressing the various components of our action plan, we did not find overlap or duplication to any great degree. That is symptomatic of the close relationships that we have in the Highlands and Islands.

That is all that I wanted to add. We are happy to take questions.

The Convener: Moray, Badenoch and Strathspey is unusual in that it is betwixt and between the Highlands and Islands and Grampian. When you say that you have two councils, two tourist boards and so on, I presume that you are referring to the Highland side and the Grampian side.

Mr Johnston: Yes, but for the purposes of economic development, the whole area is within the Highlands and Islands Enterprise area.

The Convener: Would it not make sense for the tourist board structure to be more synchronised with the local enterprise company structure?

Mr Johnston: In a perfect world—

The Convener: That is what we are here to create.

Mr Johnston: As an individual in the private sector, I would obviously say that what you suggest would be beneficial. However, that may be a bridge too far at this stage.

Douglas Yule: The background, culture and history of our areas are quite different. The players who have inhabited the economic development scene over the years have also been different—in the tourist boards and the councils, and in the LEC network itself. Up until April last year, a large part of the Moray area had Scottish Enterprise as the parent body; only since 1 April has everywhere come under Highlands and Islands Enterprise.

People in Moray and people in Badenoch and Strathspey feel differently about things and they

react differently, culturally. People in Moray consider that their business markets tend to Aberdeen, although their tourism sector is quite happy to look towards the Highlands. In Badenoch and Strathspey, people tend to look more towards Inverness and the Highlands and Islands areas. There are quite distinct differences in the way that people think and feel and in the populations.

There is also a different business history. In Moray, our long history of manufacturing companies in food, drink and distilling and our rich, arable country means that there are some quite large, long-established companies in the area, which means that the economy in the business sector is fairly stable by Highlands and Islands standards. The Badenoch and Strathspey area, on the other hand, experiences distinct difficulties with peripherality and rurality.

The Convener: We are still experiencing problems with mobile phones. If anyone has a mobile that is on, please switch it off.

Rhona Brankin: Will the national park designation have a positive impact? Will the creation of yet another body be effective.

Douglas Yule: The whole business community in the Badenoch and Strathspey area in particular is excited about the prospect of the national park. The business community definitely regards it as an opportunity, although its members acknowledge that some threats might be created because of the nature of the beast. One of the main threats that they identify is a perception that control might be exerted over future development. They are genuinely concerned that that might inhibit the growth potential for business opportunities in the area. On the other hand, they view the designation as a positive marketing opportunity to trumpet the fact that they have a world-class environment. The area is dominated by the tourism sector, which does not involve just the provision of accommodation. Many other businesses are involved, from wildlife tourism operators to visitor centres.

On the whole, people are quite positive about the future that the national parks will bring, but there is no question but that the parks will introduce another layer of government. The presence of another statutory organisation on the scene might even add to confusion. The legislation is on its way and although the business community is concerned about it, its members are assessing how to deal with it in a positive way. They feel that if they are able to make a good input and to have good representation on the national park board, they will be happy—provided that the economic agenda is not swamped by some other agenda. They are proposing to address that in the coming six to nine months.

Rhona Brankin: It is certainly the intention in setting up the national parks to enable sustainable rural communities to develop. Sustainable economic development was central to the concept of national parks. There is a bit of a worry about that. Only time will tell. It will be interesting to note the extent to which the national park board overlaps with the other functions of the different statutory organisations.

Douglas Yule: The make-up of the board and its complexion will be interesting, as that will give out a clear signal to businesses and other parties about the way in which the politics of the organisation are likely to go.

Andrew Wilson: Did you say in your opening remarks that you did not find any duplication or overlap? I may have misheard you because of the acoustics.

Douglas Yule: We found little duplication and overlap.

Andrew Wilson: Do you mean throughout the area and between organisations?

Douglas Yule: Yes.

Andrew Wilson: The central team assessment that we have says:

“3 surveys have been conducted on customer satisfaction in which the issues of overlap and duplication were raised.”

How do you square that?

Douglas Yule: I do not agree with it.

Andrew Wilson: You do not agree with customer satisfaction surveys.

Douglas Yule: I do not mean that. We did our own surveys. Highlands and Islands Enterprise carries out a customer satisfaction survey on behalf of all the LEC areas. The fact that our customers are confused about where they should go for some of our services comes out of that survey consistently. We are addressing that confusion through HIE's product and process review, which is under way at the moment. We are trying to streamline our functions and to make the way in which people access our services at the local enterprise company simpler, easier and more apparent.

In the mapping exercise, we felt that, because of the size of our area and because we already had good, established relationships, strong overlap and duplication were not demonstrated in what we found. The task force asked us to go back and check that. We did so and went into it in even more detail. We concluded that there was confusion, particularly in both the chamber surveys that were done, but not duplication. I think that Jim Johnston will back that up.

Andrew Wilson: You make a stout defence. The forums were set up to get rid of duplication and overlap. The surveys suggest that there is duplication and overlap. However, those involved in duplicating and overlapping, who therefore have a vested interest in not finding any duplication and overlap, do not find any. That is not to say that you are not right. I hear loud and clear what you say, but you must understand where that leaves us.

Douglas Yule: I certainly understand. When the forums were set up, the committee went looking for duplication and overlap. I guess that, when you did not find it, you did not believe us. However—I am being honest—we looked terribly hard. The task force made us do it again, and we looked terribly hard again. We still did not find anything like the sort of overlap that we were supposed to find. I sometimes get the feeling from the task force members that they were a bit disappointed that we did not find anything.

Andrew Wilson: Too right. There is no question about that. In many areas like yours, the private sector—obviously you cannot speak for the private sector, except to the extent that your membership is from the private sector—expresses different views, as I said to the previous witnesses. There are variable views on LECs and HIE among the businesses to which I have spoken in your area. Some say, “I’d rather just go directly to HIE,” but others, possibly because they have done well, say, “I like the LEC.” Where does the balance lie?

Mr Johnston: I missed the last part of your question. You said that some businesses would go directly to HIE.

Andrew Wilson: Some would rather not bother with the LEC and would rather have a direct relationship with HIE. Some like the local relationship. Where does the balance lie?

Mr Johnston: I am not sure. I am not even sure that what you say about some businesses wanting to deal directly with HIE is right for our area. People appreciate what the forums try to do. The task of weeding out duplication—if it exists—is taken on board.

I conducted a survey on duplication and confusion. A substantial number of people said that they believed that duplication existed. The next question that we asked in that survey was whether they could highlight where that duplication was. We gave them a range of issues for them to tick the boxes and highlight. Almost half of those who replied that duplication exists replied that they did not know where it was. We balance such views against the perception that duplication exists.

Let us be honest: the argument is about financial assistance, not about information on how to get financial assistance. The argument starts from people who have looked for financial assistance

and have been disappointed, not because they could not find information on how to get it, but because they did not qualify for it.

In my 15 years in economic development I have been at the sharp end of every part of the process, but I have seen few cases of real duplication. Part of the problem is that different bodies do different things. They do not necessarily duplicate work and they often complement one another. People have to speak to the local council, the local enterprise company and perhaps an enterprise trust or another body, depending on their business. For example, European grant assistance is sometimes available for companies in the food sector.

The essence of the complaint is that people are asked for information everywhere they go. They must produce three or four sets of information to get to the same conclusion. That is where the idea that there is duplication creeps in. However, there is not necessarily duplication and many services complement one another. Extremely busy people do not have sufficient time to complete four different application forms to achieve the same end result.

The process of multiple applications must be cleared up. One set of information should be good enough for most bodies that provide financial assistance to businesses. Businesses must produce a business plan to receive assistance. If the plan is properly produced with the advice of the different providers, it should contain the information that the providers want. Businesses should not have to produce a business plan for one body, a 20-page application for another body and perhaps a 40-page application for a grant from the European agricultural guidance and guarantee fund. That is where the biggest complaint lies and it overlaps into the claim that there is confusion. Although people claim that there is duplication and confusion, the duplication is less prevalent than is claimed. The issue centres around confusion in the marketplace.

15:00

Andrew Wilson: I appreciate that lucid evidence.

Tavish Scott: To stay with the private sector, what percentage of businesses in the local economic forum area has the forum been in touch with? What percentage of businesses have been in contact with the forum? The statistic that is knocked around is that only 20 per cent of the businesses in the HIE area have ever been in touch with HIE. How does that statistic correlate with the experience in your area?

Douglas Yule: I cannot give an exact figure for the number of businesses that we have been in touch with or that have contacted us. Last year,

we processed around 280 requests for assistance, which involved small grants of £1,000 or £1,500 to grants in excess of £1 million. About 80 per cent of those cases involved grants of less than £25,000.

I will digress for a second, because it is important to understand how we approach our customers. In my view, the issue is about how to provide our customers with a better service. In the HIE network, the application process for a £1 million grant is the same as that for a £5,000 grant. Clearly, the risks involved in the two grants are different. As part of the review process that is under way, there is an attempt to rationalise the 80 per cent of cases that are below £25,000 so that we can drastically reduce the time that it takes to process customers' applications. Again and again in our surveys, our customers say that we are bureaucratic, that we take too long to give them a decision and that we do not give them clear enough guidance early in the process. The question is how we deal with those issues and how we change to give our customers a better service and streamline what we do. We are trying to change what we do within the HIE network.

Tavish Scott: I presume that one of the problems that you face is the audit trail that is required of you by HIE and the Government. Have you argued that that should change to accommodate the streamlining that you would like to do in relation to the grant?

Douglas Yule: On behalf of the enterprise companies, HIE is seeking to establish clear guidelines on the audit requirements. The general perspective is that we need to balance the needs of audit with the risks that are taken. The amount of money that is at risk must have an audit implication as well. If it does not have an audit implication, we are not really addressing the whole issue properly.

Tavish Scott: My ironic reflection from local government days is that we used to spend much more time arguing about £5,000 than we spent arguing about £1 million.

You mentioned the task force meeting on 11 February, which you both attended. One of the issues that was raised at that meeting was that

"Proliferation of HIE products would be addressed by the Product and Process review."

Do you think that the review is creating real change and improvement for businesses in the area?

Mr Johnston: Judging by what I have seen of the process so far, I think that the review is important and will create real change. That is an outside perspective on it. Douglas Yule could give you an insider's view on the process. From the outside, the process appears to offer prospects of

real change.

Douglas Yule: Jim Johnston is right. From an insider's perspective—I am not sure about that phraseology—the review is like a breath of fresh air. I was with the enterprise company from 1992 to 1999 and I returned to it after a spell of two and a half years in the private sector. The organisation is quite different now from what it was like in the seven years that I spent with it in the early to late 1990s. It is refreshing that some of the long-standing issues—the sacred cows of the organisation—have been seriously addressed.

As I mentioned, we have a target of seven weeks for processing an application. As part of the product and process review, that will be reduced to seven days. That is a pretty challenging target for us to meet, but that is the sort of area that we are prepared to address in trying to provide a better service to our customers. The whole idea of being customer focused is probably stronger in the enterprise company network now than it was in the early 1990s. I am not saying that it was not there; it just seems to have been given a new focus and to have been higher up the agenda in the year since I returned.

Tavish Scott: E-business week—or e-commerce week—was a week or a fortnight ago. I presume that it was marked in the HIE and Scottish Enterprise areas. What did you do for that week?

Douglas Yule: We held a trade show on Wednesday, to which we invited practitioners in our area to parade their wares. We also had representatives from BT and the trading standards people talking about the implications, opportunities and threats of e-commerce. We held four workshops in the evening and people could choose which ones to attend. The event started at about 5 o'clock and ran through until about 9 o'clock. There were more than 70 attendees, which we were delighted about. We do not have a huge business population in our area, so we were astounded that we were able to get 70 people along. The event was very successful. We have planned new events for the winter, once the tourism sector has more time—in the shoulder months, for example, or at the back end of the winter.

David Mundell: Do you think that the integrated economic development strategy would have come about without the forum? If the forum did not exist, who else might have done that work?

Mr Johnston: The strategy would not have been produced so easily if the forum had not been established. As I said in my opening remarks, we have two of everything in our area, which raises a problem when we talk about community planning. We have two councils, so there are two

community plans, each of which has economic development aspects. That means that, unfortunately, we have had to split our approach.

In discussions with Moray Council, we have devised a mechanism for feedback from and input into its community plan process, but I suggest that that feedback and input will largely come from the forum. There is another community plan across the border in the Highland Council area. Previously, the Moray area had a joint economic development strategy, which was developed by one of the partnerships—between the local enterprise company and the council—that I referred to earlier. There was also considerable private sector input into the strategy, which ran for a couple of years from its development until the forum was established.

I question which other body has the motivation to get all the parties involved to consider a joint strategy for the area that is covered by Moray, Badenoch and Strathspey Enterprise, although there may be such a body. I am not saying that if the forum did not exist we would have to invent it, but it has provided the impetus for developing a strategy for the area that is covered by the local enterprise company. At least the forum has made it easier to get agreement on the development of the strategy.

David Mundell: Do the councils and the enterprise company dominate the forum? Let me use a phrase that was used in earlier evidence to the committee—is the forum top heavy? Are you satisfied that business can sway the argument?

Mr Johnston: I am reasonably satisfied about that. I chair the forum and I am a private sector individual who has private sector input to make to the forum's activities. In an ideal world—we may not be in an ideal world—as other activities and tasks are considered and undertaken, we may well bring more private sector companies on to the forum temporarily: horses for courses, as it were. I am reasonably happy about the way in which the forum in our area has delivered the goods. I do not think that it is top heavy with public sector representation. You might tell me that I have just argued that we have two of everything, but even against that background I believe that the two chambers of commerce are making considerable input into the action plan that is being developed for our area.

Douglas Yule: That is the big difference between the LEF arrangement and the previous process. Previously, mainly public sector agencies came together to work on strategies and align budget spend. Now private sector input is made at the table, during the discussion and debate. We did not have that input before. When there is the potential for the public sector view to dominate, it is useful for the private sector representatives who

are at the table to say, "Wait a minute. Stop. You can't do that. This is not right." In my view, the most positive aspect of LEFs is having the private sector present as constituent members during such debates.

David Mundell: Is not that role supposed to be played by the directors of the enterprise companies?

Douglas Yule: The directors play that role. They contribute to the LEC's strategy for the way forward. However, that is not quite the same as being at the table on an on-going basis and engaging with the officers from the various public sector bodies. As the debate develops at those meetings, the private sector voice can chip in with its tuppenceworth. That makes a difference.

15:15

David Mundell: Finally, I want to ask about the unique position of Moray, Badenoch and Strathspey Enterprise. The local enterprise company and local economic forum both come under Scottish Enterprise and Highlands and Islands Enterprise.

Douglas Yule: Not any longer. We were under Scottish Enterprise, but we are now completely under HIE. The split between Scottish Enterprise and HIE ceased on 1 April 2001.

The Convener: Our committee passed the statutory instrument that brought about that change. You were a member of the committee at the time, David.

David Mundell: Thank you for pointing that out, convener.

Douglas Yule: I would just like to thank the committee for doing that.

David Mundell: My question is still relevant, however. What is the difference between your experience of being under HIE and your experience of being under Scottish Enterprise?

Douglas Yule: I must confess that the change happened while I was away. By the time I returned, we were completely under HIE, so I cannot comment on what things were like under Scottish Enterprise.

My staff have mixed views on the changes. On the one hand, they welcome the fact that HIE has a strong community commitment with community powers that Scottish Enterprise did not have. In my view, HIE engages with communities in a much deeper way than Scottish Enterprise did. That must be welcomed. On the other hand, my staff often tell me that HIE very closely follows administrative matters such as issues of influence and audit. I think that my staff are telling me that they need to get used to being kept on a much

tighter leash by HIE. My view is that HIE has a workable framework.

In the Moray area, we need to work hard to get the message across that HIE has taken over from Scottish Enterprise. I do not think that that message has come across yet. Getting that message out is a big task, but we are working at it.

The Convener: I should inform Douglas Yule that Jackie Wright from Highlands and Islands Enterprise has taken a close note of everything that he has said.

Mr Ingram: We have talked a lot about process issues, but I want to focus more on outcomes. It is all very well to have increased private sector input, but is the quality of the outcome any better, or do people simply feel better for having taken part in the process?

In economic development, the bottom line is that businesses and individuals get access to the assistance that they need to start up or develop their businesses. All the customer surveys seem to indicate that we still have a problem with that. As Jim Johnston suggested, is not the fundamental problem that people do not get the financial assistance for which they are looking? Is not the fundamental flaw of our economic development system that it does not get the money to those who need it to get their businesses moving?

Mr Johnston: I said that many do not qualify for the assistance that they are looking for and so go off aggrieved. However, Scotland's total enterprise budget is in the region of £500 million. Per head of population, that is an extremely small sum, so we need to target resources.

If people are told that resources are targeted towards certain activities, they will generally accept it. However, they do not like it when they are convinced by an advertisement that their business could qualify for assistance but then find when they talk to somebody about it that their business is not in a sector that has been targeted for support. That is a bigger problem than the fact that resources are not available for what they want to do.

From experience, I can say that 90 per cent of people will accept the situation—although they might not be too happy—if you are brutally honest at the beginning of the process and tell them that their business is not in a sector that qualifies for financial assistance. Again from experience, I know that people do not like to be strung along. They do not like being given an application form to get them out of the office—perhaps because they have been over-aggressive in presenting their case—only to find that their business does not qualify for assistance. Some people incur expenditure in completing the forms because they

use professional advisers, for example.

If people make approaches about financial assistance but there is no chance that they will be able to get that assistance, they should be told that at the start of the process. That is an area in which confusion has reigned. Because people have not wanted to disappoint applicants, they have moved them among various bodies that offer assistance. If the process had been properly handled, the disaffection and disgust with the system that some people feel would not have come about.

Mr Ingram: How will the local economic forum improve things on that front? Will you sort out the multiplicity of application forms? How will you do that?

Mr Johnston: I live in hope that that will be the outcome of the process that we are going through.

Mr Ingram: Are you getting all the various organisations to sign up to that?

Mr Johnston: The forum process takes that on board. I know that the process is voluntary rather than statutory but, if people are prepared to play along, I am convinced that it will have the outcome that we are hoping for.

Douglas Yule: I would like to add some specifics. Moray, Badenoch and Strathspey Enterprise is one of four pilots in the HIE area that are considering the delivery of a single entry point. Some of the outputs that we established, such as the single front door to information, are absolutely aligned with the product and process review.

On cross-referral and the exchange of application information, Moray, Badenoch and Strathspey local economic forum has talked about developing a common standard application form, which would be the same for all the agencies and local authorities down to a certain level of information. We have also talked about establishing, subject to sorting out data protection issues, a common database. That would be a positive outcome and it is also part of the HIE product and process review.

It was important to the private sector members that, when they got to the single entry point, they got good advice, that the people with whom they dealt were somehow quality assured and that they got the best customer care that could be provided. Again, that is also part of the HIE product and process review. I am quite happy that our LEC is making progress with the pilot project and is addressing some of the difficult issues.

Part of our business information source—which was the previous model for the provision of business information—is located in Elgin, not in our office. We are going to locate it in our office so that we can liaise closely. Every other LEC has the

information in its office, but we do not. The pilot aims to figure out how we can bring it into our office, improve service delivery at the front end and sort out exactly how we will signpost people when they come into our single entry point. The pilot also aims to figure out how to get people to the single entry point. We have to go out and tell them about it—there is no point in us doing all that we are doing unless we tell people what is happening.

Mr Ingram: My point was that it is all very well to signpost people, but if they are being signposted from pillar to post and they are not getting there at the end of the day, that is not much use.

Douglas Yule: I could not agree with you more. We will not do that. We have on-going discussions with our local partners—the chambers of commerce, the FSB and others—to sort out questions such as, “How much information on your services do you wish to be delivered at the single entry point?” We are agreeing the parameters for first-level inquiries and second-level inquiries. At which point will customers be referred to other organisations? Who will take the details? Those are the nitty-gritty issues that we have to sort out. We cannot go at this half-cocked; if we did, we would confuse the customer even more. We need to get those matters sorted and fixed in our own minds, which is what the pilot programme is about. Each LEC is at a different stage of development. We are looking to be up and running from about the end of September.

Brian Fitzpatrick: I was wondering about engagement. I was interested in the evaluation of the sampling that has been done. I take it that the question on finance and property was asked as a filter to work out whether those who responded had a grip on what was being provided. If it is not a filter, it is peevish in tone. I take it that your position is that if you ask people whether there is overlap and duplication of services they will—particularly if they are in the private sector—say yes and that that is why people were tripping themselves up in relation to the services that were being provided by the information service.

Mr Johnston: That is a perfect example of the confusion that exists. When people were asked, they said that they thought that they went to the business information source for property advice. They also thought that they went for financial assistance. That illustrates the problem: people's perception was that there was duplication, when in fact there was not, as the business information source does not act as a property agent in any form.

Brian Fitzpatrick: I presume that dealing with the perception is the important point. Hence the effort that is being expended to have a single entry point, so that, regardless of their perception,

people are directed to where they can get advice and assistance, but not in iterative stages.

Mr Johnston: Indeed. If somebody arrives at the first stage and their perception is wrong, that perception can be corrected at that stage. That would be a major achievement compared with the present system.

Brian Fitzpatrick: Adam Ingram rightly pointed to the fact that a lot of the activity, particularly in the first year, was processy in nature. Much of that is understandable, given that process tasks were set as first-year tasks—for example doing the mapping out, examining any anomalies that show up and looking for savings. Across the LEFs that we have spoken to, the view is that consensus building around single entry has been valuable. I ask you to look further down the road to the second year—or further, if we get that far. What is the compelling issue that your LEF area faces? What does the LEF add that would not otherwise exist in the institutional landscape?

15:30

Mr Johnston: The LEF helps us to achieve our aim of putting in place an integrated economic development strategy for the area. Given the different players that are involved, I do not believe that without the local forum that would have happened as quickly as it may happen with it. Some months ago, when we considered tasks for year 2, it occurred to me that, although members of the forum have slightly different strategies, for the purposes of economic development Moray, Badenoch and Strathspey are one area. That is true regardless of how many councils, tourist boards and colleges the area includes. It makes sense to have an integrated strategy that covers tourism, the councils' approach to economic development and property provision, and the marketing of the area. It is best for all those issues to be dealt with under one banner. We will reach that situation more quickly through the forum than by depending on different groups of people meeting to agree to do things. I am fairly sure that, without the forum, different strategic approaches would be taken in different areas.

Douglas Yule: The strategy will provide us with a framework that allows us to align our budgets on large projects. That will ensure that on key projects we pull together with a common aim. Although such co-operation took place previously to some extent, I hope that the strategy will make it more apparent. It will also take in agencies such as Highland NHS Board, which were not previously engaged. It is important that all agencies should be covered, not just those that are involved in economic development. Given that the local enterprise company is contributing to the strategy, we must ensure that there is community

as well as business involvement in the forum. The plans of each group are interrelated—they cannot be considered alone.

Brian Fitzpatrick: I do not think that we have quite established the constituent elements of the LEF. The matter is not clarified in your written submission. Can you describe the make-up of the LEF?

You said that you had been involved in providing financial assistance in 280 cases. Were you speaking as a representative of the LEC?

Douglas Yule: Yes.

Brian Fitzpatrick: I presume that the 280 cases of financial assistance to which you referred had nothing to do with private sector engagement with the LEF. How does private sector engagement with the LEF take place?

Mr Johnston: I am not sure that the relationship is as the member suggests. The local economic forum is not involved in ensuring that individual companies obtain financial assistance. The forum's role is to paint the bigger picture and to clarify issues. I do not see direct involvement as part of the LEF process.

By virtue of its membership and the people whom it employs, Moray Chamber of Commerce represents almost the entire work force of the Moray area. Besides the private sector, the chamber can admit to membership bodies that it feels would make a contribution. Moray Council and Moray, Badenoch and Strathspey Enterprise are members of Moray Chamber of Commerce. We have the critical mass that is necessary to bring about what we hope to achieve. The challenge for the forum is to deliver the goods. As was indicated earlier, if at the end of the day outcomes have not improved, the process will have been a total failure. If the aims of the forum were to have discussions and to identify a few little issues, I would not be involved in it; it would be a waste of time. We are involved because we see a genuine opportunity to improve the process. I remain confident that that will be one of the outcomes.

The Convener: Thank you. Your written and oral evidence has been helpful.

Douglas Yule: I am also confident that, in five years' time, Jim Johnston will be here again giving you a presentation on how well the LEFs have done in the previous five years.

The Convener: Thank you.

The third set of witnesses is from Argyll and the Islands local economic forum. While we are rearranging the deckchairs, I can tell you that Brazil won 2-0.

I welcome Professor Peter Timms, chair of

Argyll and the Islands local economic forum—I am sorry that I did not recognise him on the plane—and Ken Abernethy, chief executive of Argyll and the Islands Enterprise. I invite Professor Timms to kick off.

Professor Peter Timms (Argyll and the Islands Local Economic Forum): I should say that, in addition to my role with the local economic forum, I am from the private sector and run a business on the Isle of Bute.

I am sure that every LEF believes that it is different, but we think that our small, highly dispersed population and geographic diversity create some unique challenges. For example, for all our members to attend just one LEF meeting involves driving a total of almost 900 miles, with eight ferry journeys for the round trip.

We have been enthusiastic about the objectives of local enterprise forums and, as outlined in our submission, we think that we have made some progress. One of the worries that emerged from our meetings on the mapping process was the confusion among public agencies about what other agencies did. As a result, we organised a practitioners conference so that each agency could outline its activities. Those who made presentations included the local enterprise company, the Prince's Scottish Youth Business Trust, Argyll and Bute Council, North Ayrshire Council, Scottish Natural Heritage, the Crofters Commission, the Scottish Executive environment and rural affairs department's agricultural and fisheries groups, Jobcentre Plus, and the Argyll, the Isles, Stirling, Loch Lomond and the Trossachs Tourist Board. I would not hesitate to suggest that every attendee came away from that conference having learned something that they did not previously know.

Given the scale of our area, the scope for eliminating duplication and reducing costs has clearly been limited, particularly as 97 per cent of business support funding already comes through the local enterprise company. In the past, in common with other areas, we have suffered decaying infrastructure and growing unemployment on Bute, with the closure of the United States Navy base in the Holy Loch, the closure of RAF Machrihanish as an operational base and, more recently, the closure of Jaeger's manufacturing operation in Campbeltown.

Each of those closures resulted in LEC action plans to minimise the effects and to promote alternative employment. It would not have been possible to rebuild parts of the infrastructure or to attract large inward investors to Rothesay and Dunoon without working closely with the council from the outset. More recently, the establishment of the Vestas wind turbine facility at Machrihanish was helped considerably by Argyll and Bute

Council's commitment to the project, particularly in dealing with the Ministry of Defence. My point is that our partners in Argyll and the islands were already working closely together before local enterprise forums were conceived.

We have identified transport issues as the largest single barrier to economic and social development in our area, so they will form the focus of our year 2 activity. The current transport review that is being undertaken by HIE, Caledonian MacBrayne and others has identified that the long-term plans of each public sector agency are not complementary.

Finally, we are concerned that the very process of the local economic forums creates duplication with the work of the local enterprise company. We respectfully suggest that specifying a single LEF template for the whole of Scotland is making the delivery of local solutions for local issues in our area needlessly complex. Perhaps either the LEF or the LEC should be responsible for economic delivery, but not both. Our LEF membership comprises eight from the public sector and four from the private sector, compared with LEC membership of two from the public sector and 10 from the private sector.

The Convener: I will kick off on your last point. LEFs were set up to address questions of duplication and overlap in particular. Given your comments, do you believe that LEFs should have a finite life and that once they have carried out that job, their role should be over, or should they have some wider, longer-term remit?

Professor Timms: My personal view is that the LEF served a purpose in bringing together all the agencies and participants, allowing them to exchange views and agreeing a common agenda. We had some outputs. As each of those activities is completed, the LEF should be reformed for the next activity. It is not a delivery mechanism.

The Convener: So you feel that the LEF should be reconstituted. For example, you are going to focus on transport issues.

Professor Timms: Indeed. For example, we do not have CalMac. The next LEF ought to include representatives of the business community, the islands community and the deliverers of transport services.

The Convener: So the LEF should act as a changing task force.

Professor Timms: Yes. The LEF is a facilitator more than anything else.

Tavish Scott: You mentioned that your year 2 activity will focus on transport issues. In that case, will you focus on an integrated transport system? We are not just talking about CalMac; you came up to Shetland today on a British Airways flight

that is under franchise to Loganair, and there are Loganair franchise flights into your part of Scotland. Presumably, you would want all those different transport providers to pull together.

Secondly, I think that you said that the bodies that deliver transport are not complementary. Will you elaborate on that view?

Professor Timms: The answer to your first question is yes, those bodies should be integrated. As for your second question, I should first indicate that I am a non-executive director of CalMac. The company's long-term business plan includes no reference to its social responsibility or to our difficulty in developing economic activity in islands other than those that are driven by capacity. For example, Islay suffers from insufficient ferry capacity and CalMac will respond to that problem. Colonsay has its own problems, but it is not part of CalMac's remit to do anything other than provide a service as prescribed by the undertaking.

Tavish Scott: Given that the Government owns CalMac, surely it could instruct the company in that capacity and give it a strategic undertaking that would take those factors into account.

Professor Timms: Indeed it could. I have been associated with Highlands and Islands Enterprise for 10 years. Despite the fact that we have both operated in the same area for the same length of time, the very first meeting between the boards of HIE and CalMac took place only within the past six weeks.

Tavish Scott: I want to push you on the question of an integrated transport system, because it is an important issue for many areas of rural Scotland, particularly this area. You said that transport will form the focus of your year 2 work. Have you developed that idea in any specific detail, or will the Highlands and Islands transport partnership play the major role in this area?

Mr Ken Abernethy (Argyll and the Islands Local Economic Forum): It probably will. Tomorrow, we will attend a meeting in Edinburgh at which the Executive, Argyll and Bute Council, CalMac and our LEF will be represented to find out how to develop our discussions and to agree some common aims. As Peter Timms said, a preliminary look has shown that none of the public bodies has the same 10-year aim. As a result, we need to find some common agreement about how transport should develop. You mentioned integrating the various forms of transport; that is a critical step and a key challenge. For a number of reasons, we cannot improve the level of service to a place such as Colonsay simply through the use of vessels, and we will have to consider air services and rail transport from Oban.

Tavish Scott: For my final question, I will reluctantly drag myself away from transport and

ask about the LEF. Can it play a role as far as transport is concerned, or is that outwith your remit? For example, other bodies and statutory providers exist and the private sector plays a huge role, particularly in providing air services. How do you hope to influence all those bodies through a LEF?

Mr Abernethy: The LEF can take on the role of getting the organisations that operate in its area to agree on how development should take place. In the absence of that common agreement, it would be difficult to prosecute a case.

Andrew Wilson: I am intrigued by one of the remarks that Professor Timms made in his opening statement. Given your wide experience, do you think that a forum of this nature can ever produce a reforming outcome when, by definition, there has to be a loser and a winner?

15:45

Professor Timms: I am sorry, but I do not understand the part of the question about the winner and the loser.

Andrew Wilson: If overlap or duplication were to be found, someone would have to stop doing what they were doing.

Professor Timms: I suppose that that might be the case, if we were to speak theoretically. However, our council was delighted to find that it could redeploy the little overlap that resulted in its community activities.

Andrew Wilson: I noticed that, but was the model wrong in the first place?

Professor Timms: No. We needed a vehicle to bring together what were, in the main, the public agencies that dealt with each area. Before the LEF was established, it would have been difficult to involve everybody on the ground except the council and the local enterprise company.

Andrew Wilson: To what end?

Professor Timms: Amongst other things, so that we know what one another does.

Mr Abernethy: Establishment of the LEF was also about tone setting. It was an indicator that Government wanted to see change take place, which was helpful, as people understood that there was a climate in which re-organisation had to take place.

The Convener: I call Brian Fitzpatrick. I am sorry, I call David Mundell.

David Mundell: I do not mind going after Brian.

The Convener: Brian has not indicated that he wants to ask a question.

David Mundell: Oh, he does not have a question.

The Convener: You are so alike.

David Mundell: That will damage me.

Professor Timms, in his opening remarks, answered many of the questions that we dealt with earlier.

Professor Timms: That was unprompted. What I said was written last night.

David Mundell: The evidence that was given by the other two LEFs today was that they have come to a view that part of their role is to develop an overall economic strategy for their area. They said that it was not obvious that anyone was doing that at the moment.

Professor Timms: I think that we, in Argyll and the islands, would disagree with that. The enterprise company in our area, since its inception, has taken a strong lead in trying to develop and maintain an economic development strategy for the area.

David Mundell: Is the LEC best placed to do that?

Professor Timms: I guess that it is horses for courses, but, in our case, the answer is yes.

David Mundell: Is it possible to influence the LEC and the local authority? Do issues, such as those bodies being top-heavy and swamping discussions, which we heard about today, apply to them?

Professor Timms: The business profile in our area is different to those of other areas. We have a large population of microbusinesses, a smaller number of small and medium enterprises and an even smaller number of large businesses.

To be frank, everybody knows everybody else or, if you do not know a person, you know somebody who does. We are all working to the same end. It has been that way since the beginning of the Highlands and Islands network.

Rhona Brankin: I want to ask the same question that I put to previous witnesses. You say that the issue is not overlap and duplication, but trying to bring together the various different actions and thinking that go on in the area, on behalf of the various Government agencies and departments and non-departmental public bodies. Therefore, the issue is not so much the duplication and overlapping of those groups, but trying to bring them together in the first place in a strategic way. Is that what you are saying?

Professor Timms: Yes. Many of those agencies operate in well-defined domains and rarely cross over from their domain to see what

others are doing. The council and the local enterprise company both operate in the area, but so do SEERAD and the tourist board. We each have business plans and we must deliver the agreed outputs, but we have not previously spoken together as a group.

Rhona Brankin: Community planning will also play an important role in that in the future. How do you envisage the LEF's role in the community planning process?

Mr Abernethy: Again, it comes down to the fact that Argyll is a small community; it has 67,000 people in total. Therefore, the people who are involved in community planning and in the work that we do are exactly the same people. Argyll and Bute Council is 400yd from our office. We dot in and out of one another's offices. Indeed, the community planning exercise in Argyll has a wide partnership that covers a huge range of activity and a management that runs community planning. The council has invited me to chair that, which indicates the close relationship that has been built up. That relationship is our prime way of ensuring that we do not generate duplication—which would be easy to do—between community planning and the local economic forum. I chair the management group, so it is up to me to ensure that we do not do anything silly.

Rhona Brankin: Given the changes that are taking place in agriculture and fisheries, there is now an acceptance that those sectors must work within a framework of local economic development rather than as sectors that exist almost separately and which have separate funding streams from the centre. That change is beginning to happen by virtue of the fact that wider changes are going on in Europe.

Mr Abernethy: We think there must be changes in those areas. If we have an area of concern about public funding, it is not about the relationships between the enterprise company, the tourist board and local authorities, but about the relationships between those organisations and governmental bodies. That is where we find the greatest degree of inflexibility and slowness of response.

Rhona Brankin: It is difficult to change things at Executive level, because departments have traditionally done their own thing. That is a challenge for Government.

Professor Timms: There are other areas of conflict—for example, between the Scotland Office and the Executive. I am thinking of the Campbeltown to Ballycastle ferry service, which has taken almost 18 months just to get to the stage at which tenders can be issued.

The Convener: I thank the witnesses. Their evidence was helpful and much appreciated.

Scotland in Sweden

The Convener: Under item 2, the committee must agree on its representative for the Scotland in Sweden event in October. A paper has been circulated. I will take comments from round the table.

Andrew Wilson: I propose that we send the convener or deputy convener. I have looked at the programme and I suggest that our representative, while he or she is in Sweden, should take the opportunity to report on Sweden's lifelong learning situation, the development of policy, economic development and current support mechanisms. Setting up a couple of meetings outwith the official programme that would be directly relevant to the work of the committee would add value and underline our case. If members want a formal nomination, I nominate the convener.

The Convener: I did not put him up to that, by the way.

Andrew Wilson: I confirm that I nominate the convener with a one-way ticket.

The Convener: And that is before the announcement of the results of our list meetings.

Brian Fitzpatrick: I take it that all your hustings, conclaves or whatever are over and that there is no—

The Convener: They are, indeed.

Brian Fitzpatrick: Otherwise, Andrew would have—

The Convener: Are there any other comments on the paper?

Brian Fitzpatrick: Do we know who is going from the other committees?

The Convener: The conveners, I think.

Simon Watkins (Clerk): As far as I understand, it is likely to be the conveners.

Brian Fitzpatrick: But they have not decided yet.

Simon Watkins: No, not formally.

The Convener: The Sweden visit is likely to coincide with the other foreign visits for the tourism inquiry, assuming that we get permission for them. Therefore, I think that it would be fair that, if I go to Sweden, I do not put my name forward for the other visits. The more that we spread the visits—

Brian Fitzpatrick: On that basis, I will second Andrew Wilson's nomination.

The Convener: As there is an election coming up, I think that we should all share the pain.

Tourism Inquiry

The Convener: Item 3 is the first evidence session in our tourism inquiry. Unfortunately, Barbara Foulkes could not get a plane in order to attend today, so she sends her apologies. Robert Smith, the chair of Shetland Islands Tourism was also unable to make it, but the chief executive, Maurice Mulla, is with us.

Given that people are taking a break, however, and because we have been sitting for two hours, I will formally suspend the meeting, with Maurice Mulla's agreement, for five minutes.

15:55

Meeting suspended.

16:06

On resuming—

The Convener: I offer Maurice Mulla my apologies—it has already been quite a long day, given the various flights that we have taken. I ask you to introduce your evidence, after which we will ask you questions.

Mr Maurice Mulla (Shetland Islands Tourism): Thank you very much and a warm welcome to Shetland—or Hjaltland, as we were known by the distinguished earls and kings whose stained-glass likenesses surround us this afternoon. We are pleased that you could make it here. It was rather misty this morning, as the very fine weather that we have been having recently temporarily deserted us. I understand that those who came here on the flight from Glasgow will now know what we mean by an island adventure.

I regret the absence of my colleague from Orkney, which is due to the fact that the flights from there were fully booked. However, many of the issues that obtain in Orkney, including transport policy, are often simply magnified in Shetland.

Tourism is an important local industry, which reaches every part of the islands, from the national nature reserve at Herma Ness—the most northerly point of Britain—to Sumburgh head in the south of the islands, which I hope many of you will visit tomorrow, and Fair Isle, which lies between Orkney and Shetland and which plays an important part in the local tourism scene. At present, tourism contributes about £12 million a year to the Shetland economy. Tourism is a dynamic industry that has considerable growth potential for Shetland and can benefit local communities socially and especially economically. It also supports the external transport services to a large degree.

Many changes have taken place in tourism in recent years. There have been reviews of structures, new strategies and changes in direction. Combined with foot-and-mouth disease, 11 September, fear of flying, higher travel costs, adverse exchange rates and perceived high holiday costs, those changes have required a fast response mechanism, which the area tourist board network has provided.

Shetland's place in the context of Scottish tourism is distinctive and different as a result of our northern location, our Scandinavian heritage, our unique culture and our wealth of nature and wildlife. Because of its location, Shetland has a highly attractive image as a desirable holiday destination, but it has a correspondingly high cost of travel. It is therefore a one-off holiday destination for many people and the marketing of the islands has to be carefully directed at those who seek the unique island experience and who can afford the travel costs.

Travel costs are the major handicap to the expansion of the tourism industry in Shetland. The cost of air travel for an individual from our main United Kingdom market in the south of England is approximately £600. As members know, the cost of air travel from Edinburgh and Glasgow is in excess of £400, so the cost of a family visit to Shetland starts at more than £1,000 even before accommodation, car hire and associated expenses are taken into account. In effect, that takes the islands out of the family and short-breaks markets.

Although air travel by the low-cost carriers is expanding rapidly and costs are reducing spectacularly, the cost of flights to Shetland has continued to rise. An intensive campaign to reduce the cost of flights and the introduction of a public service obligation on the route are of paramount importance to the tourism industry and the economic well-being of the islands generally.

At our crossroads in the north Atlantic, sea services are fundamental. We look forward to the new vessels and enhanced service that will be introduced on the UK route from 1 October this year and the larger Scandinavian vessel, the *Norrøna*, which is expected to be introduced in May 2003. Shetland and Orkney are the top Scottish ports for cruise ships and each receives approximately 40 ships and 12,000 to 14,000 passengers a year. Fair Isle, which is between Orkney and Shetland and has a population of about 70 people, attracts about 20 cruise ships a year with 1,000 to 2,000 passengers.

Many of Shetland's visitors are attracted by the special interests of the islands. Consequently, Shetland Islands Tourism is committed to niche marketing to reach our potential visitors. The importance of those interests and activities to the

tourism markets means that there must be additional and concentrated effort if our tourism industry is to achieve its full potential.

We look forward to playing an important role in the streamlined ATB structure, which will receive greater political understanding and financial resources to bring greater visitor numbers and tourism revenue to Scotland and to Shetland.

The Convener: The big issue is the cost of travel to and from Shetland. If the Ryanair deal for flights to and from Inverness went ahead, would that have any impact on your situation in Shetland?

Mr Mullay: It would have an impact, but two factors are involved—not only the cost of travel from the mainland, which mainly starts in Aberdeen or Inverness, but capacity on the route, which is of some concern to us. It is a sad coincidence that lack of capacity is the reason why Barbara Foulkes is not at the meeting. Flights can be fully booked and sometimes it is days before a seat becomes available. The airlines have reduced service frequency, which means high occupancy levels on flights. Visitors must book considerably in advance to obtain their preferred dates. Transport costs are of fundamental importance to us.

Rhona Brankin: I am intrigued by the deal that was recently signed to create the private company Viking Island Holidays. Will you talk about that?

Mr Mullay: Viking Island Holidays is a tripartite arrangement between Orkney Tourist Board, Shetland Tourist Board and NorthLink Ferries. The purpose of Viking Island Holidays is to offer more economical and comprehensive packages in a range of accommodation in the islands and to a wider market. The arrangement provides the opportunity to reduce fares with the introduction of the new ferry service and to make it easier for visitors to book. At present, visitors must book their ferry, accommodation and car hire or other facilities separately. We want people to make a single telephone call and to be able to confirm all their arrangements at the same time. As far as providing a better service and better value for money are concerned, that tripartite arrangement is a major step forward.

Rhona Brankin: What are your target markets?

16:15

Mr Mullay: Shetland's main market is the ABC1 socioeconomic category. The fact that 78 per cent of the people who come to Shetland are in the professions is related to the cost of travel to the islands. We have to do careful target marketing not only of people who have a special interest in the islands and what we have to offer, but of

people who can afford to come to Shetland. We tend to aim at the upper end of the market.

David Mundell: What sort of relationship do you have with VisitScotland?

Mr Mullay: We have a good relationship with VisitScotland. We are part of the area tourist board network, so we work closely with VisitScotland on the services that we provide in the office, on new developments such as e-tourism, which is coming along, and on VisitScotland's marketing schemes.

David Mundell: Areas that are not VisitScotland's prime focus sometimes complain that they feel a bit left out. You have described how you are pursuing a focused approach. Does VisitScotland support that approach, which may be inconsistent with its more general approach?

Mr Mullay: Shetland's prime markets are not necessarily the same as Scotland's prime markets. Scotland as a whole is interested in the touring market, in which people tour around Scotland in their cars and stop off at bed and breakfasts, guest houses or hotels. That is not strictly our primary market. The average duration of stay in Scotland is just over four nights, but in Shetland it is well over seven nights. Given the costs of coming here, people amortise those costs over a longer stay.

Scotland may also be more interested than Shetland is in specific markets. For example, prior to 11 September, Americans made up 25 per cent of the Scottish market, but they represented only 8 per cent of the Shetland market. Our marketing effort tends to be directed at Scandinavia. Until the middle of May, we had Scotland's only international ferry connection, which was from Norway, the Faroe Islands and Iceland. That ferry service is important to us, because it provides the circuit that allows people to do North sea tours or to stop off in Shetland on their way to the Faroe Islands and, increasingly, to Iceland. However, those markets are not necessarily of prime importance to Scotland.

We have niche markets that are really quite specialist, particularly in bird watching, nature and wildlife. We have been taking a lead in the eco-tourism market and genealogy is another specialist market for us. Those markets are now recognised, but we would like much more emphasis to be placed on niche markets and on the periphery of Scotland—people cannot reach Shetland without travelling through Scotland.

David Mundell: Do you feel that VisitScotland is quite happy for you to do your own thing?

Mr Mullay: We would be happier if VisitScotland were to take a more proactive role in the niche marketing areas that are of specific interest to us. We combine resources with other area tourist

boards that have similar interests in order to promote special interests. For example, we have worked with the Highlands of Scotland Tourist Board and other island authorities on the walking wild project and the escape to the edge project. Those projects have been beneficial because they are targeted campaigns that can reach people whom, individually, the organisations that are involved would not be able to reach.

David Mundell: What role does the local enterprise company play in supporting tourism activity?

Mr Mullay: Its main role as far as the area tourist board is concerned is training, but it also provides support for businesses in the community, ensuring that we have the necessary infrastructure and business acumen.

Tavish Scott: I am sure that when you made your opening remarks, Mr Mullay, you encouraged the members to look at the price of their tickets.

I would like you to elaborate on two areas: food and music. It has always struck me as ironic that, every morning in our fish market, we land some of the finest produce available but do not make enough of that fact. Would you like to elaborate on the industry's difficulties in attracting the right calibre of people to produce the food that would enhance our restaurants and our hotel trade?

Music has the potential to be a huge growth area for the islands, economically as well as socially and culturally. How far and wide do you think that that area could spread? Do you think that it has the capacity to become worldwide?

Mr Mullay: Our natural produce is high quality, fresh and the type of product that visitors are looking for. Shetland differs from other areas in that our produce tends to be produced en masse as a commodity rather than pre-packaged for the specialist hotel trade. However, although we have good-quality materials, we face a shortage of staff who can produce the high-quality products that the visitor is looking for. We have a low rate of unemployment at the moment—it is perhaps between 1.2 per cent and 1.7 per cent—and it is hard to recruit chefs of the quality that we desire. We need to concentrate on that area and ensure that we can provide the standard of food that people want. As I indicated, people pay a lot of money to come to Shetland and it is important that we can provide a top-quality experience.

Two years ago, Shetland won the Scottish cultural tourism award for music. Shetland is brimful of music. At the moment, we have a project called "Simmer'n Sessions", which has been arranged by Shetland Islands Tourism and the local art trust and features arranged musical sessions five nights a week, including Sunday night, throughout the islands. Those sessions

have been extremely popular and have brought lots of people to Shetland, who leave with tapes and compact discs.

We have a good folk festival as a shoulder-season attraction and we have an accordion and fiddle festival in October, which is also an out-of-season attraction. Many people now come to Shetland to hear the unique style of Shetland music. Music is important to the islands and we see a lot of potential for growth in that area. We are trying to keep ahead of Scotland and develop that area before other areas catch up with us.

Brian Fitzpatrick: We, too, have experienced issues relating to flight capacity and the other adventurous ways of getting to Shetland. However, my question is: what is the current rate of bed occupancy in the islands?

Mr Mullay: Lower than we would wish, particularly because we have a short season—we have a short weather window on account of our northern location. During the peak season, which tends to be from May to the beginning of September, we can be quite busy and certain sectors can get close to capacity. However, the rate drops dramatically in the winter months.

That is not the case across the board. Shetland has a considerable business tourism element and it is important that that continues, because it supports our establishments. Hardly a hotel in Shetland closes during the winter months, which is different from the situation in the Highlands.

Brian Fitzpatrick: I notice that almost half the holiday-making visitors to Shetland come from furth the UK. Apart from the recognition that Shetland has unique characteristics in terms of who comes, what is needed at a national level to keep the throughput coming?

Mr Mullay: We have placed a great deal of emphasis on marketing in recent years. Shetland is a distinctive product. When people come to Shetland, they are almost booking an overseas holiday—I know that everyone is overseas from Shetland. Outwith the UK, generally speaking people book through a travel agent, a tour operator or a carrier that can provide a package arrangement. We tend to be looked at as an overseas destination.

We work closely with the travel trade—probably more closely than most other areas of Scotland outwith the cities do. It is important that Shetland is featured in tour operator programmes. Sometimes they are general interest programmes, but increasingly they are special interest ones. We ensure that Shetland has a high profile in our market areas through study tours, press trips and bringing the trade here to let people see what Shetland has to offer. A great deal of our achievement in getting such a high turnover is due

to our own efforts.

Brian Fitzpatrick: Did your most recent visitors survey disclose how much information access was web based?

Mr Mullay: Yes, although the survey was carried out in 2000. I think that we were talking about less than 8 per cent web interest. The interesting point, which is not just applicable to Shetland, is that people use the web to access information but tend to telephone to make bookings—sometimes they write or e-mail. They tend not to book directly from the website, but that will happen. The number of bookings through the web is increasing. On Friday, I had occasion to examine that matter and I was pleased to note that Shetland has had more electronic bookings than the Borders and many other areas of Scotland, because we appreciate the importance of the internet and stress it strongly.

Brian Fitzpatrick: An obvious route to access information is through the websites of Scottish Natural Heritage or RSPB Scotland. Are people easily gaining access through other bodies' websites?

Mr Mullay: Yes. The whole concept of the internet is based on links. We are aware of the importance of getting the information through to people, but also of retaining them on our site. We do not want to lose them from our site. Other agencies, such as SNH, RSPB Scotland and Historic Scotland, provide a wealth of information on Shetland in addition to the information on our site. We work closely with them.

Mr Ingram: I return to the point that Tavish Scott made about the quality of the product. He talked about the supply of food. In general terms, what have you done to identify training needs across the tourism industry? Clearly, given what you said about niche marketing, the quality of the tourism product is important. You need people either to come back—if they can—or to spread the word about Shetland. What is being done through Shetland Enterprise and other agencies to address training needs and skills gaps by upskilling the work force?

16:30

Mr Mullay: We work closely with Shetland Enterprise and Shetland Islands Council on training needs. Earlier, I mentioned the shortage of chefs. That has been particularly evident only in the past year. A shortage of chefs is not unique to Shetland: throughout Scotland and Britain, there is high demand for high-quality chefs. We are addressing the issue as a priority.

Mr Ingram: Do you have regular contact with your tourism businesses? Do you monitor how

they are doing?

Mr Mullay: Yes. A shortage of chefs is one of the problems that our membership officer has identified on his visits to members.

Mr Ingram: What proportion of tourism businesses in Shetland are members of the area tourist board?

Mr Mullay: I do not want to boast, but I estimate that 95 or 96 per cent of tourism businesses are members of the board.

Having people come to Shetland is very different from having them come to Scotland. Unlike people living on a main road in the Highlands of Scotland, people in Shetland cannot be successful simply by putting up a bed and breakfast vacancy sign outside their houses. Shetland is different. When people are coming to Shetland, we encourage them to book accommodation in advance. We do not want them to arrive here to find that they cannot get the type of accommodation that they seek. When people book in advance, we can provide them with accommodation that is tailored precisely to their needs. The situation in Shetland is different from the situation in the rest of Scotland.

Mr Ingram: I am interested in the international marketing of Shetland. I was on the first Ryanair flight from Prestwick to Belgium. I was shocked that at the Belgian end there was no promotional material from VisitScotland or the Scottish Tourist Board, but lots of material from Tourism Ireland. What help do you receive from VisitScotland in producing promotional material? Does it go to the Scandinavian countries that provide the cruise ships and tourists who visit the north Atlantic corridor?

Mr Mullay: The fact that the material at the Belgian end of the flight was Irish rather than Scottish may have something to do with the fact that Tourism Ireland spends twice as much on marketing as the Scottish Tourist Board spends. I admire much of what Tourism Ireland does, which can be very effective and productive.

We are responsible for supplying material to agencies, particularly in Scandinavia. We believe that we know which agencies are productive and we liaise closely with Oslo, Stockholm, Helsinki and all the other major Scandinavian centres. Within our resources, we ensure that material on Shetland is available to visitors there.

Mr Ingram: Do you receive extra resources?

Mr Mullay: No.

You mentioned cruise ships, which are a growing market with considerable potential. The point is not just to get cruise ships to Shetland. We receive a large number of visitors, but most of

them arrive in the morning and depart mid-afternoon. We are in a good location for cruise ships around Britain or up to Norway, Faroe and Iceland. We wanted to get our act together to ensure that we relieved cruise ship passengers of as many euros or dollars as possible. In the past, we showed them all our natural delights but did not try to reach deep enough into their pockets and wallets.

The Convener: What are your views on the e-tourism initiative, to which Shetland Islands Tourism has signed up?

Mr Mullay: We have signed up to the initiative and await the outcome with bated breath. We are confident that the initiative will provide what is required. This is one of our last opportunities in that area. As members are aware, a previous high-profile campaign did not work. The e-tourism initiative is much more focused and has private investment. I believe that it can be made to work. Because we get a high percentage of overseas business, e-tourism is probably more important for Shetland than for the touring areas of Scotland. We support the initiative as much as we can.

The Convener: Your evidence has been very helpful. I wish you all the best in your efforts.

That brings us to the end of the meeting. I thank Shetland Islands Council and Tavish Scott for their assistance and hospitality.

16:36

Meeting closed.

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