

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 13 November 2002
(Morning)

Session 1

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29th 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)

Elaine Thomson (Aberdeen North) (Lab)

*attended

WITNESSES

Warwick Brady (Ryanair)

Mike Cooper (easyJet)

David Field (BAA Scottish Airports)

Robert Macleod (Highlands and Islands Airports Ltd)

Ian Reid (British Airways)

Tom Wilson (Glasgow Prestwick International Airport Ltd)

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Simon Watkins

SENIOR ASSISTANT CLERK

Judith Evans

ASSISTANT CLERK

Jane Sutherland

LOCATION

The Hub

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 13 November 2002

(Morning)

[THE CONVENER opened the meeting at 10:03]

The Convener (Alex Neil): Good morning. We have a quorum, so we can begin. Welcome to the 29th meeting in 2002 of the Enterprise and Lifelong Learning Committee. We have received apologies from Marilyn Livingstone and Annabel Goldie, both of whom are stuck in trains en route to today's meeting. We have also received apologies in advance from Gordon Jackson, who will have to leave us briefly, and from David Mundell, who will have to leave permanently at 11.30.

David Mundell (South of Scotland) (Con): Not permanently.

The Convener: I meant for the rest of the morning.

Tourism Inquiry

The Convener: This morning we will hear from representatives of three airlines and three airports. Members will recall that many people who have submitted evidence for our tourism inquiry—starting with our first meeting in Shetland—have emphasised the importance of direct and low-cost flights and of transport and accessibility in generating additional tourism income and wealth for Scotland. We will devote the bulk of this morning's meeting to following up the written evidence that we have received so far from the airlines and airports, so that we can get to the bottom of some of the issues that they have raised.

I intend to allow the first evidence-taking session, with witnesses from the airlines, to run for about an hour; the representatives of the airports will be allocated a similar amount of time. The issues need to be aired at length and members should be given maximum opportunity to discuss them. I believe that we may be joined by MSPs who are not members of the committee but who have an interest in the subject.

I introduce Warwick Brady, the head of operations at Ryanair; Ian Reid, British Airways' general manager for Scotland; and Mike Cooper, the business development director for easyJet. I intend to ask each of you to say a few words about the key points that you regard as important. I will then open up the discussion to questions from members.

Warwick Brady (Ryanair): We consider Scottish tourism growth to be related directly to the introduction of low fares. The opportunities are focused primarily on continental Europe. If you allow operators such as Ryanair to have access to your airports at the right costing structure, growth will be phenomenal. Ryanair has shown that over the past 10 years in the Republic of Ireland.

The Convener: Before we hear from Ian Reid, I remind members that we understand that today's evidence raises issues of commercial confidentiality. We have asked the witnesses to give us as much information as they can, but we respect the fact that some matters are of a commercially confidential nature.

Ian Reid (British Airways): Good morning, ladies and gentlemen. Thank you for inviting British Airways to participate in today's meeting.

We run a substantial operation in Scotland, which has considerable involvement in the tourism industry. At the moment we operate about 330 flights a day to, from and within Scotland. We support those flights with about 1,600 staff who are based in Scotland. Although it is always

difficult to pin down the exact number of tourists on flights, we reckon that 70 per cent of our travellers are business travellers and 30 per cent are travelling for leisure and tourism. About one third of the passengers whom we carry each day are engaged in leisure activities.

I am conscious of the fact that our time is limited, so I will keep my introduction brief. Other points can be dealt with through questions.

Mike Cooper (easyJet): Good morning. I thank the committee for giving me an opportunity to speak this morning. EasyJet has strong roots—if members will excuse the pun—in Scotland. Our inaugural flight between London and Scotland took place last November. Scotland has been an integral part of our development.

There is little doubt about our commitment to Scotland. This year—which is a typical year—we will spend more than £1 million advertising Scotland as a destination in the London market, in the Netherlands and in Belfast.

Like Ryanair, easyJet is a growth business. In the next 12 months, we will attract more than 4 million new customers to the airline. I am responsible for the development of the network. The candid and bad news is that the growth to which I refer will not come in Scotland. Indeed, we could retrench here.

There are three reasons for that. First, the low-cost market in the UK is becoming increasingly saturated. That is not a show-stopper; our announcement of a new base in Newcastle lends credence to the notion that there are still growth opportunities in the UK. However, the UK market is reaching maturity.

Secondly, demand in Scotland is diluted predominantly over the two main airports—Glasgow and Edinburgh—and the comparison between growth out of Milan, Rome, Paris or Madrid and demand in Scotland is not favourable.

The third point, which Warwick Brady touched on, is that the airport cost base in Scotland is just too high. That is the critical point that I would like to make this morning. If you examine the cost base for low-cost airlines, it can be seen that we keep our operating costs low. The airport element is a critical part of the cost base. We need to be certain of future costs, therefore short-term sweeteners are not really important to us.

To be brief, my concluding point is that we genuinely hope that there is a solution for Scotland, but at the moment the picture does not look rosy, given the cost situation that we face here.

The Convener: I remind everybody to switch off their mobile phones; otherwise they interfere with broadcasting.

Gordon Jackson (Glasgow Govan) (Lab): I have a question for the low-cost operators—no offence to Ian Reid—because I am interested in what they said. Mike Cooper made a number of points, including points about airport costs, which suggest that no matter what we do, we will have a problem because we are not Madrid or Barcelona and there is saturation. Warwick Brady said that “growth will be phenomenal” if the situation is worked out in such a way as to make it economic. It is always nice to hear such phrases, but sometimes I want to know what they mean. You referred to phenomenal growth, so what do you anticipate the hard facts will be? What increase would you expect and where would you expect it? What change would need to be made for that?

Warwick Brady: I will address the issues point by point. First, taking Glasgow Prestwick as an example, the introductory fare in 1994 for Glasgow Prestwick to Dublin was £59. In the first year of operation, the increase in passenger numbers was 250 per cent. That is just one demonstration from a number of years ago of how low fares can drive up traffic figures.

Gordon Jackson: I appreciate that, but I am interested in your projections. We have all used low-fare airlines. You say that growth could be phenomenal, so if you were to get what you wanted in terms of pricing, landing fees and whatever, what growth could we expect in return? You used the phrase “growth will be phenomenal”, so what is your growth projection?

Warwick Brady: The growth would be subject to the number of flights per day. If we were to put on two flights per day with our 737s, each with 189 seats, the calculation of the number of passengers that that would bring is obvious.

Gordon Jackson: I was not sure whether it was as simple as that.

Warwick Brady: Under the Ryanair strategy, we will get 150 new aeroplanes, and they will go somewhere in Europe. Those aeroplanes will carry millions of passengers. The question is who wants those passengers.

Gordon Jackson: Leaving aside matters that are commercially confidential what specific change do you need so that you can use those aeroplanes to bring people into Scotland? What should we ask people to give you, for you to give us phenomenal growth?

Warwick Brady: It is very simple. We need a low-cost structure at airports. We negotiated with Scotland some time ago on two airports, but we were very far away from the costing structure to which you referred. It is all down to how airports are funded, and the concept that the costs will bring further investment. We are saying that if the costing structure is right, the revenue will follow.

Gordon Jackson: I do not want to hold everyone up, but you talked about it being more attractive to go to Madrid. I can see that Madrid has certain attractions that are nothing to do with costs. How do we compare with major European destinations on costing structures for airlines? That question is for either Mike Cooper or Warwick Brady. You introduced the matter, Mike.

Mike Cooper: It is impossible to generalise, because it depends on the airport with which the comparison is being made.

Ryanair's strategy is slightly different from that of easyJet. Ryanair flies to some tertiary airports and the cost structures that those airports enjoy are different from those of airports that are closer to city centres. It is impossible to point to a precise comparison. We consider the type of revenue opportunities that we can enjoy because an airport is located relatively close to a business conurbation—that is true for both Edinburgh and Glasgow—versus the cost structure. At the moment, there is an imbalance in Scotland. The low-cost airlines will not be able to get the sort of growth opportunities that they would need to support the cost base that is in place.

Earlier, you made a point about what that means in terms of phenomenal growth. Each year, 3 million people fly into Newcastle airport. We should put another 1 million plus on that figure within the next 12 to 18 months. That might give you an indication of the scale of the opportunity.

10:15

Gordon Jackson: Do you mean that your airline would bring that extra 1 million people into Newcastle and that they would fly into Newcastle rather than Scotland because of Scottish costing? Is it as simple as that?

Mike Cooper: Correct.

Warwick Brady: The key is that low fares drive the traffic. Ryanair's exceptional growth in airline passenger numbers and revenue supports that statement. People fly because it is cheap to do so. We have to support prices with the costing structure. That will bring the passengers and revenue. It will also bring the hotels revenue, as well as all the other subsequent revenue streams.

Gordon Jackson: Before I finish, does the man in the middle—Mr Reid—from the big, dear airline have any comments?

Ian Reid: As a full-service airline, we probably look at life slightly differently from other carriers, especially the no-frills carriers. You have to consider the overall costing structure, of which airports are undoubtedly a part.

It also depends on what the airline is actually doing. As part of flying into Scotland, British Airways operates flights into 20 airports in Scotland. Obviously, our view is much more network orientated in that we consider all the various communities that need to be served. We probably address a different part of the market.

Gordon Jackson: I will put my final question in crude terms because I think very simplistically. The chaps from the low-cost airlines have low costs so they can bring in more tourists. I take it that British Airways would want those low costs in the 20 airports that it serves. Do you want to pay the same costs across the board or do you accept that the low-cost airlines run a different type of operation?

Ian Reid: No. If we were operating into the same airport, we would expect the same level playing field.

Tavish Scott (Shetland) (LD): My first question is about business tourism. I am sure that the gentlemen on the panel noticed the comments of Peter Burt, the retiring deputy chairman of HBOS, who said:

"It is a farce you have to fly via London when you need to go abroad."

What is the perspective of the low-cost and full-service carriers on business tourism? What advantages does it bring to Scotland? What is the industry trying to do to address that potential?

Ian Reid: I shall pick that up first.

The other evening at Edinburgh International Conference Centre, I heard that a full survey is done of all visitors—that is, every visitor is given a survey to complete. One of the points that did not register was that most visitors who fall within the business visitor category come via another point, such as Heathrow. That is not seen as an impediment to business or business/leisure travel into and out of Scotland.

We estimate that 70 per cent of our passengers travel for business and 30 per cent travel for leisure. It is quite difficult to consider the business/leisure category as a definitive category.

If you were referring to direct services, we could have a long debate about that. Perhaps the committee will want to tease that out over the next hour. Our view is that if there is a market for a direct service between any two points, one will build up. However, we will not see the range of destinations from Scotland that a key gateway such as Heathrow has.

Tavish Scott: Warwick Brady and Mike Cooper, do the low-cost carriers take a different view from British Airways on the potential for business tourism? You fly directly into Europe more than British Airways does.

Mike Cooper: Our philosophy is completely contrary to that of British Airways. We believe that it is important to develop a web across Europe, and one reason why we bought the Go airline was to connect points on their network with ours. We can connect Amsterdam with Milan for example. Yes, we believe that it is important to create that web for business tourism, so that people do not have the hindrance of having to travel through Heathrow to Paris, or wherever.

Considering the experience of our Amsterdam services, there is merit in that statement. What usually happens with the low-cost guys is that a service will start at ludicrously low prices and first the backpackers fill the aircraft. Increasingly, the small businessmen who are conscious of their travel budgets start to fly low cost and do so to make meetings rather than not do any business at all. In time, larger companies and corporate groups start to travel the low-cost airlines. It is nonsense to say that trying to create that web, as the low-cost guys are doing, will not encourage business tourism.

Tavish Scott: Do you do any analysis of your passengers in the different segments of the market—business or leisure for example? Do you have any such information that you could share, even just generally?

Mike Cooper: We do, and the figures depend on the maturity of a particular route. As I said, it is initially leisure dependent and then business traffic increases. Monday morning between Luton and Edinburgh will be about 80 or 90 per cent business traffic. It depends on the route and its state of evolution.

Tavish Scott: My second question is about internal Scottish routes, which is clearly of concern to me. Committee members will have seen how much it costs to fly internally when they flew to Shetland in June. Mr Reid and I have debated this over many years, and he would have to accept that one difficulty that the Highlands and Islands face in developing tourism is the cost of getting there, especially considering what we have heard from the others about the benefits of low-cost carriers.

The other problem in addition to the cost, which I hope that you will address, concerns events such as that on Sunday. The 3 pm flight to Aberdeen was cancelled because the plane went technical, and the effect knocked on into Monday. British Airways knew that that plane went technical at 3 pm on Sunday but did nothing about it, so all the passengers on Monday were delayed. That is completely unacceptable. The company provides no service at all when that happens and business people and tourists are delayed. Why should they fly to Shetland if that sort of thing happens? It is inexcusable for a company not to take action when

it knows that it has a problem. That is what happened on Sunday, and everyone was delayed on Monday because of it.

Ian Reid: You have an advantage of me. I did not know that the flight was cancelled. I would take issue with your assertion that we do not react to such events. Of course we react to them. As you know, we have been operating the routes since before the war. We have seen about 30 airlines come and go, and Loganair and ourselves are the two that remain to serve the communities. You will find that the cost of airfares reflects the cost of the operation. We have just introduced a new fares package across the UK, and that embraces the Highlands and Islands. There is undoubtedly a thin structure because of the population size.

Of the passengers that we carry at the moment, tourists and leisure passengers make up about 30 per cent. However, if tourist numbers started to go above existing levels, it would create other issues. For example, would there be the infrastructure and hotels to support them? We would have to work jointly on that. We have also to consider attitudes. The recent development of services to the Western Isles raised a few eyebrows, so that would have to be considered, although I would have thought that that would be good for tourism. In general, given the thin routes and the current cost base, the fares—with the opportunity of booking early—probably reflect the reality of flying in those areas and we do not see anyone queueing up behind us to operate those services.

Before I leave, I will find out from the people behind me what happened with the Aberdeen service.

Tavish Scott: Does British Airways not accept that, if the full fare from Aberdeen to Sumburgh is £300 and only six seats on that 60-seater advanced turbo prop plane are available at the cheapest fare, not much will change on that route?

Ian Reid: The other key element is that, as Mr Cooper and Mr Brady would also agree, routes must be viable. Irrespective of fare levels, we will not be able to operate a service unless it is viable. We need to retain the viability of service to communities on the Highlands and Islands.

Tavish Scott: I have a final question, and I apologise to the rest of my colleagues for going on about this matter. Does British Airways accept that public service obligations are the only way of reducing fares to reasonable levels in the Highlands and Islands?

Ian Reid: I am in the fortunate position of saying that, as the politicians, you will have to decide that rather than the airlines.

Tavish Scott: So it is up to us to do something about the matter, because you will not.

Ian Reid: We have done a lot about it. You and I have exchanged a number of letters about introducing changes to our fares. As I have said, we have to balance such changes against the viability of the routes. At the moment, people can access cheaper fares if they book seats in advance.

Mr Kenneth Macintosh (Eastwood) (Lab): I appreciate the information that roughly 70 per cent of British Airways passengers are business passengers and 30 per cent are leisure passengers. How does that translate into bed numbers? We heard the phrase "heads on beds" earlier, which sounds like an image from "The Godfather".

Gordon Jackson: At least they are human heads.

Ian Reid: I presume that you are asking about tourism and leisure. I could not give you an actual bed night figure, but I think that British Airways buys 30,000 beds a year in Scotland for our crew.

Mr Macintosh: I was actually thinking of business tourism, which is very important to us. The number of visitors—particularly foreign ones—obviously has a major effect on our economy, no matter whether they are here for business or family leisure reasons.

Ian Reid: I find it difficult to answer that question. As people do not tend to book their accommodation through the airline, it would be difficult to indicate the number of bed nights.

Mr Macintosh: I was interested in Mike Cooper's comments about the way that airlines start up by providing a service to backpackers and then move on to low-cost businesses. Is there a difference between British Airways and the no-frills airlines in the spend of their passengers?

Ian Reid: Do you mean spend on air fare?

Mr Macintosh: No, I mean the spend when they reach Scotland.

Ian Reid: Again, we would find it difficult to assess that. I think that Mike Cooper's company starts from a slightly different position from British Airways, which is an older and more mature airline. We would not start up a route in the same way, because any such route would need to have a higher business content.

Mr Macintosh: Mike Cooper, you seem to have quite a good knowledge of your passengers. Do you know how those figures translate into overnight stays in Scotland?

Mike Cooper: No. However, in answer to your previous question about the spend of passengers, the consumer demographics of low-cost airlines show that we have quite an upmarket customer base that is made up of mostly ABC1 customers

who have disposable income and spend heavily. They use low-cost fares and airlines to visit places that they would not otherwise visit and spend when they get there.

Mr Macintosh: I can see that the market develops as a service matures. However, how much do the customers change from backpackers to business people? How does a brand new service that has 250 per cent growth at the outset begin to grow in line with other parts of the passenger market and compete with existing services? In other words, how many passengers are people who would not fly at all and how many are people who do fly?

10:30

Mike Cooper: As easyJet has developed, it has analysed various routes, including those in Scotland, and as its progress in Europe shows, it does not seek to poach market share from the incumbent carrier. Rather, it creates new markets; thus people are travelling who would not do so otherwise. Analysis of routes between London and Switzerland, out of Amsterdam, and domestically, has proven that. Therefore, its strong line, which it hopes to develop in countries such as Germany, is that it will not take market share from Lufthansa, or indeed from British Airways in the UK—it will create new markets.

Mr Macintosh: That is my point about young people who, on the spur of the moment, decide to go away for a weekend break.

Mike Cooper: EasyJet is a young brand, and people often refer to its philosophy. However, gradually older people will take comfort from the fact that the low cost planes will not drop from the sky, and the age mix will become a lot more balanced as the airline develops.

Mr Macintosh: Mr Brady, how many of Ryanair's passengers in Scotland are inbound and how many are outbound?

Warwick Brady: I do not have the figures for passengers on the Scottish routes.

Mr Macintosh: Do you have a rough idea?

Warwick Brady: It is approximately 50 per cent inbound and 50 per cent outbound.

Mr Macintosh: It is half-and-half. Is that reflected in Ryanair's advertising spend? When Ryanair advertises a service to or from Scotland, does it spend the bulk of its advertising budget in Scotland, or in, perhaps, Amsterdam or Milan?

Warwick Brady: The budget is split; advertisements are run in Scotland and at the end of the route.

Mr Macintosh: Will you provide the committee with more figures?

Warwick Brady: I will provide members with figures; I do not have them to hand. One of the biggest issues for Ryanair is that the advertising spend for Scotland places too much emphasis on the USA and not enough on continental Europe. Also, the system is overly bureaucratic and watered down and, therefore, by the time a proposal filters through the 14 layers, it is diluted. Therefore, if an advertising campaign is to be generated, Ryanair does not agree with that strategy.

Mr Macintosh: You made that point in your recent submission. If Ryanair is considering the establishment of a new service between Scotland and continental Europe, does it carry out research in Europe and decide that there is a market that wishes to travel to Scotland, or does it simply assess the Scottish market and decide that there are a lot of people in Scotland who wish to travel to continental Europe?

Warwick Brady: Ryanair places the emphasis on the number of people from continental Europe who want to travel to Scotland. People want to travel to Scotland to experience its different culture, and low fares encourage them.

Brian Fitzpatrick (Strathkelvin and Bearsden) (Lab): I apologise to the witnesses for my late arrival; my train was waiting for a slot at Waverley. I suspect that Annabel Goldie was stuck behind me.

It seems that there is a cocktail of at least four ways in which new routes in Scotland could be supported. They include initial or continuing marketing support; support to reduce landing charges; assistance with route development funds, which are offered by the BAA, and have been referred to by Her Majesty's Government and the Scottish Executive; and PSOs. Tavish Scott has a constituency interest in advancing PSOs as the silver bullet, and it may be that they are the silver bullet for Shetland. Out of the four options, where should the emphasis lie? Is there another prescription that could be added to what might be done in the public sector to encourage or assist the development of new routes?

Mike Cooper: What is a PSO?

Brian Fitzpatrick: It is a public service obligation.

Mike Cooper: My strong view is that an airline cannot be developed with short-term sweeteners. EasyJet is considering the situation up to 20 years from now, based on the shape of what its network will be. Therefore, it must believe that it has a sustainable cost base. If you consider that the deals that it is signing with airports across Europe will run for 15 to 20 years, as is the case with Ryanair, without that understanding—the sun is shining in my eyes. Is that part of—

Brian Fitzpatrick: We have resorted to star-chamber type interrogations. That was not my intention, but I have a horrible feeling that nothing can be done about it. The sun is shining in Scotland. Mike Cooper could move to the left—we try to encourage everybody to do that.

The Convener: I will not comment on that.

Mike Cooper: In terms of the cocktail that was mentioned, we need a sustainable long-term cost base. Short-term marketing funds do not do that.

Brian Fitzpatrick: That might lead us to the view that we should not be offering sweeteners to particular airports for particular carriers, but looking to achieve a sustainable throughput of business at those airports. Do you agree with that view?

Ian Reid: I would advise caution on sweeteners, if the member wants to call them that. Given that the committee is examining that suggestion, it would need to look at that question from the legal point of view. Within EU rulings there is a great deal—

Brian Fitzpatrick: Implicit in the suggestion is that it is compatible with state aid measures.

Ian Reid: If the PSO is used in the form that Tavish Scott talked about, it would be different to the other issues that involve PSOs. In the main, we do not think that PSOs are the way to go. As a general rule, we feel that market forces are the best way of deciding air routes. If we put exceptions such as the Highlands and Islands to the side for one moment, we are talking about operations on much thicker routes or into Europe. Routes will develop if there is a market between two places.

It is not possible to develop routes artificially on a short-term basis. That is because they will not be sustainable. The committee needs to unpick the reasons why people fly to Europe. The no-frills carrier is flying to European destinations for quite different reasons than other carriers, which are flying into Europe from Scotland essentially to feed long-haul hubs. Those other carriers are not looking at an operation between a point in Scotland and one in Europe; they are looking beyond Europe. That is a very different reason for carrying out that operation.

Warwick Brady: Ryanair tried to do a deal with two Scottish airports but we could not get anywhere near an agreement on the costings. We pursue relentlessly the low fares that will bring the passengers. If the costings had been right on those two airports over a 10 to 20-year deal, the passengers would come on to those routes, as they would be attracted by the low fares.

I understand the bureaucracy of how the airports are funded. If they are funded by private finance

initiative, the costing per passenger is extremely high. That issue must be addressed to resolve the problem. Once the costing is right, the aircraft will operate out of that airport and passengers will come as a result.

Brian Fitzpatrick: Someone mentioned crew and staff. I do not expect you to answer this now, but it would be helpful to have a note of how many of the crew and staff employed by each carrier are based in Scotland.

Ian Reid: The figure is in our submission.

David Mundell: I would like to explore an aspect of the Ryanair submission to which Warwick Brady referred. You made the bold statement that we need to

"tell consumers how to get here at a low cost and where they can get more info (website) – that's all that's needed."

You are almost saying that we do not need VisitScotland.

Warwick Brady: Huge money is wasted on hard leaflets. The web is a fantastic tool. If a website is marketed properly, people will actively look at the web to find out about where they want to go in Scotland, whether that be golfing, walking, climbing or whatever.

Let us first attract people to come to Scotland by saying that it is €20 or €40 or whatever to come to Scotland from continental Europe. We have extremely low, aggressive fares, which bring in the people. They will want to come to Scotland and they will investigate the marketing. A web-based solution is the best vehicle for them to do that. It is certainly the most cost-effective solution when compared to leaflets or all the other marketing materials that are employed.

David Mundell: You offer flights to various places in Europe, some of which are more obscure than others. Are people from Scotland flocking to Germany for their holidays because you offer them a £20 flight to Frankfurt?

Warwick Brady: In addition to their main holiday, people might go to Germany on a quick jaunt of two or three days because of the fares. That is what we call the Ryanair effect—it attracts more people to fly.

David Mundell: Does not some marketing of destinations have to take place? People will not just fly into the unknown.

Warwick Brady: Ryanair aggressively markets its low fares and routes. Scotland needs to be aware that the money that is spent on marketing should not be seasonal. Scotland is marketed heavily before the spring and in the autumn. We suggest a continuous marketing campaign, not just two bolts, with most of the money spent in the spring.

David Mundell: How do the other witnesses see that decision-making process? Do you agree that people decide where to go on the basis of cost, or do they decide where they will go and put together the package to get there?

Ian Reid: Our view is probably that we must focus more on the reason for a holiday. I am a member of the Greater Glasgow and Clyde Valley Tourist Board, which has found in selling Glasgow that we must identify a feature, such as golf or genealogy. We take a more focused approach, rather than the suggested wide approach.

International travel is not the sole answer for tourism in Scotland. I presume that the committee is spending some time examining the domestic market. We have 50 million people about an hour south of here. That is a massive market that can bring much extra tourism into Scotland. We should consider the total balance of tourism. Of course we need the European tourist, but we also need the long-haul tourist and the domestic tourist. Perhaps Scotland's key tourism market is the domestic market.

Mike Cooper: I have nothing against VisitScotland, but I am interested in knowing how much it spends and what return it receives on that spend. We believe strongly that if something cannot be measured, it cannot be managed. I know how much easyJet spends for every passenger that we bring into the UK, given our spend on overseas markets. Economically, that works well for us.

I do not know how much VisitScotland spends or whether it can point to 500,000, 1 million or 2 million people responding to its advertising and visiting Scotland as a result. My strong argument is that the money would be better spent by airlines, which can measure and understand that return and drive inbound tourism as a result.

David Mundell: I will return to points that Ken Macintosh and Brian Fitzpatrick made. The long-term marketing strategy of low-cost airlines is aimed at achieving an equal number of travellers from outwith and within the UK. I recently travelled on a Ryanair flight to Paris. All the people on the outbound and return flights seemed to be British—they were almost charter flights. Is long-term development being undertaken to bring such planes back full of French people?

Warwick Brady: Our strategy is simple. We just want to fill the planes. How that transpires depends on the route. We say that the fares will fill the planes, and they do. The planes are more than 90 per cent full.

David Mundell: In that context, research has shown that Scotland has a net outflow of expenditure on tourism. I think that I am right in saying that we spend more money abroad than

tourists spend here. A potential downside of low-cost carriers is that they may simply encourage more people from Scotland to go away, whereas we need a mechanism to encourage other people to come in.

Warwick Brady: Opening up Scotland to low-fares airlines from continental Europe will bring the people in. Scotland's marketing budget could then be focused on getting people to come to Scotland on those low-fares airlines, including Ryanair. The budget could aim to fill those aeroplanes.

10:45

Mike Cooper: There is an existing mechanism. In our case, we are spending about £1 million this year in other markets purely on promoting Scottish destinations and bringing people from those other markets into Scotland. Clearly, if we were twice our current size in Scotland, we would spend £2 million plus to achieve that. That mechanism is effective and it works. We would not spend that money if we could not bring people into Scotland as a result.

Rhona Brankin (Midlothian) (Lab): I want to get a response from the other two witnesses on three points that Mike Cooper made. First, do they share his view that the UK low-cost sector is now pretty much saturated? Secondly, does the fact that Scotland has two main airports dilute demand? Thirdly, is Scotland's cost base too high? I am interested to find out people's views on how we compare with England.

Ian Reid: I am not sure that British Airways could comment on whether the no-frills market is saturated. I will leave that to Mike Cooper and Warwick Brady.

Sorry, what was the second point?

Rhona Brankin: Does the fact that Scotland has two main airports dilute demand?

Ian Reid: I am not sure which two airports were being referred to.

Rhona Brankin: I presume that they were Edinburgh and Glasgow.

Ian Reid: We operate into both those airports. I would certainly not be brave enough to suggest that there should be only one airport. One would need to consider the current situation, which is that both are mature airports with mature markets around them. We serve both airports in similar ways. One airport is slightly larger than the other, but they are of about the same size, albeit that growth at one is probably more than at the other.

Any suggestion of creating a single airport would need to be driven by the Parliament and by the people of Scotland. I am not sure that it would be smart for any airline to become involved in that

discussion. The airlines would serve the result of that discussion.

Sorry, what was the last point?

Rhona Brankin: Ryanair criticised the cost base in Scotland as being too high.

Ian Reid: I have no particular view on that. Given our type of full-service operation, which serves a wide range of airports, I would not say that fees at the Scottish airports are particularly high. Having said that, we would of course be grateful if the airport operators chose to offer us lower fees.

Rhona Brankin: There is a surprise.

Warwick Brady: On the question of whether the UK market is saturated, it is true that the market is inundated with new low-cost airlines, but I suspect that not all of them will survive. No one has a cost base like Ryanair's. Our cost base is significantly lower than our competitors, as are our fares. Our half-year results demonstrated again that our fares were—if I remember correctly—70 per cent lower than easyJet's.

Rhona Brankin: Is there still room for companies such as Ryanair to expand?

Warwick Brady: We will expand. As I said, we have 150 aeroplanes. Who wants the passengers who fill those aeroplanes? The passengers are coming every year and we will be putting them somewhere, but who wants to attract us to get those passengers?

You asked about Scotland's cost base. We had an opportunity to fly out of two Scottish airports, but we could not reach any agreement on cost. The costs are not even in the same country, as it were, and not even in the same ballpark. Our success at Glasgow Prestwick is phenomenal. The airport is open to continental Europe. If the bureaucratic problems concerning the cost base and 20-year deals can be addressed, Ryanair will be attracted back.

Rhona Brankin: How do you respond to Mike Cooper's point about dilution of demand?

Warwick Brady: I am not sure about that, so I am not in a position to comment.

Rhona Brankin: In relation to bringing people into Scotland, what single significant change would make the most difference?

Warwick Brady: If the costing is right, the aircraft will start operating and the passengers will come in. We can operate with low fares.

Ian Reid: One would need to look closely at the passenger tax that is applied to travel within the UK, which is discriminatory, because it does not apply to other forms of transport. Removing that

tax would help considerably, particularly in the Highlands and Islands, where the tax has an onerous effect on tourism.

Mike Cooper: Regardless of the fact that the market in the UK is reaching maturity, there are undoubtedly growth opportunities in Scotland, provided that we get the cost base right. A reduction in landing charges would be my proposed route forward.

The Convener: I should let Warwick Brady know that we do not charge for advertising space.

Mr Adam Ingram (South of Scotland) (SNP): I have two points. First, in its submission, BAA Scottish Airports commented that low-cost airlines have better profit per passenger than it does. It argued that its charging policy must reflect its need to increase the supply of airport services. What is your view on that and on the potential capacity constraints on Scottish airports, which might choke off future demand?

Warwick Brady: We disagree fundamentally. That argument suggests that the costing is such that it allows further investment in infrastructure. In our view, that is fundamentally incorrect. Our argument is that, if the costing is right, the increase in passenger numbers that will be achieved through the operation of the airline into those airports will bring in the revenue streams and will allow further investment in infrastructure.

Mr Ingram: Income streams other than landing charges would fill the gap, as it were.

Warwick Brady: That is correct.

Ian Reid: You mentioned other carriers. I do not think that BAA would be concerned about our present profits—its return is better than ours is.

In relation to infrastructure, the figures in the ongoing study on aviation indicate that we will have to consider more runway in the central belt within 20 or 25 years. More runway is probably not necessary at both Edinburgh and Glasgow, so a decision will have to be made about where that extra runway will be. BAA will have addressed that in its own way; I believe that it is suggesting that land should be set aside at both airports, which might well be the answer. We do not have a particular view on where the extra capacity should go. Market forces will decide that.

I want to flag up our view that infrastructure in Scotland must be linked to infrastructure in the south-east of England. The present study on aviation and airports embraces the whole of the UK. The development of Scotland is dependent on access to the south-east. We believe strongly that development there, particularly a third runway at Heathrow, is integral to maintaining and developing Scottish services.

Mr Ingram: I presume that the low-cost airlines do not agree with that.

Mike Cooper: I notice that David Field from BAA is here. I hope that he does not object to my saying this, but BAA has missed the point spectacularly when it talks about the relative profitability of airlines versus airports. EasyJet makes about £6 net on every passenger that we fly, and we will fly about 14 million or 15 million passengers this year. If we have an opportunity to develop the easyJet network and we can make £12 a passenger in Germany and barely break even in Scotland, where would we—as a business with external shareholders—develop next? That is the critical point.

Mr Ingram: My second point concerns your relationship with VisitScotland and other tourist development agencies, for want of a better phrase. Do you have a close or improving relationship with VisitScotland on the marketing of Scotland as a destination and the marketing of your routes? Are you tying up better than you have done in the past? Has there been an improvement or are we still lacking? To what extent is the public sector consulting the private sector?

Ian Reid: British Airways has a strong working relationship with VisitScotland, in which we are building upon the relationship that we had with the previous organisation. The new regime is bringing more focus to specific areas. One example is the Great Scots roadshow, which visits North America in February of each year. We work closely with VisitScotland and with BAA Scottish Airports on that. We do a number of such initiatives. As I mentioned, we try to get involved in other ways—I am a member of the Greater Glasgow and Clyde Valley Tourist Board. We find that our relationship with VisitScotland is workmanlike and we spark a number of ideas off each other. That tends to mirror the relationship that we have throughout the United Kingdom, because we also have a relationship with the British Tourist Authority.

Warwick Brady: Ryanair has a sales and marketing team. We have a sales and marketing manager in Scotland who works with the Scottish tourist authority. From what I understand, the relationship is quite close. However, I am an operational manager rather than a sales and marketing manager.

Mike Cooper: EasyJet has the same structure as Ryanair. We have a good tactical working relationship. Turkeys do not vote for Christmas, and if you give VisitScotland £3 million each year, it will spend that money. It will do that as effectively as it can, but not as effectively as the low-cost airlines could invest the money overseas in bringing people through to Scotland.

Mr Ingram: Do you suggest a sort of public-private partnership approach between the low-cost airlines and VisitScotland on constructing an advertising strategy?

Mike Cooper: It is a strategic issue. How best do you address bringing people into Scotland? At the moment, an infrastructure and attitudes are in place, and a particular agency—VisitScotland—is funded. My argument is that the airlines could deploy that money more effectively to bring more people through to Scotland, assuming that the right cost base was in place.

The Convener: We have concentrated this morning on low-cost flights from Europe. I take the point that that is where the growth has been in recent years and is most likely to be in the years to come. However, there is still an opportunity for more direct links for long-haul flights between North America and Scotland. Are you all saying that, for such links to be developed properly and sustained—we have had them before and they have never been sustained over a long period of time—a hub airport would require to be developed as the key international airport in Scotland? Would that be a prerequisite to establishing more long-haul direct flights into Scotland?

Ian Reid: The hub airport would not be in Scotland. It would need to be in North America. The geography and market of Scotland would still not drive a hub airport, although that depends on how we define “hub”. There are various ways of doing that, but let us deal with the word in the purest sense. There would not be enough feed. In our view, the hub must be at the American end. One of the carriers that operates at the moment feeds in 93 flights to the American end of the Glasgow service. When we operated the service from Glasgow to New York, there was no hub at the New York end. It was impossible to sustain that service, particularly for business travel but also for leisure. At the moment, depending on the time of year, more than 70 per cent of travellers go beyond the first point of arrival.

Another reason for having a hub at the American end of the service is that it is nigh impossible to persuade anyone from Edinburgh to go to Glasgow to pick up an aircraft. I suspect that if the service were switched to Edinburgh it would be nigh impossible to persuade people from Glasgow to go to Edinburgh.

11:00

Mike Cooper: I do not understand the economics of long haul, so I am not competent to comment on the matter.

The Convener: You made the point that your business would regard concentration on one airport as beneficial.

Mike Cooper: That is correct.

The Convener: Can you quantify how beneficial that would be?

Mike Cooper: I have not given thought to the matter, so I cannot comment.

Warwick Brady: Ryanair's strategy is quite different. We operate very successfully from secondary airports, such as Glasgow Prestwick. We would like to replicate that experience.

Rhona Brankin: I am interested in Ian Reid's comment that people are not prepared to travel from Glasgow to Edinburgh. People travel from Glasgow to Manchester, Newcastle and Birmingham to fly out. If the prices are right, people will travel.

Ian Reid: I am assured that we had our pricing right, particularly on the leisure side. There is a strong network out of Edinburgh to Heathrow and the south-east, which is a hub in itself. From Heathrow, people have a massive choice of destinations. An hour's journey will take people down to Heathrow, from where they may reach their final destination. We do not have enough critical mass in Scotland to support transatlantic services. That is why we need a hub at the other end.

Rhona Brankin: How do you judge that? You say that there is no market.

Ian Reid: We can make a judgment based on the size of the market. We are not talking about a market of 5 million people, but of one confined to the central belt. Most people in the north-east of Scotland will not drive down to the central belt to pick up a flight, as they could spend the same amount of time travelling to another airport, such as Heathrow or Gatwick.

Rhona Brankin: People can probably drive to Glasgow faster than it would take them to change in Heathrow or Gatwick.

Ian Reid: I doubt that very much. It is possible to change flights in 40 minutes.

The Convener: Thank you for your evidence, which was extremely helpful. It is rare for front-line business people to attend parliamentary committee meetings—we tend to hear from representative organisations. It is very beneficial to hear from the coalface, regardless of whether we agree or disagree with what you say.

Next we will hear from representatives of the airports.

11:04

Meeting suspended.

11:05

On resuming—

The Convener: I welcome representatives from three airport operators: David Field is the business development director for BAA Scottish Airports; Robert Macleod is the managing director of Highlands and Islands Airports Ltd; and Tom Wilson is the managing director of Glasgow Prestwick International Airport Ltd. I ask each of you to make a short introduction, after which I will open up the debate for questions.

Tom Wilson (Glasgow Prestwick International Airport Ltd): Thank you. Good morning, everyone. I shall give an update from when I wrote the submission, which I hope that you have all memorised. There have been a couple of fairly significant developments at Glasgow Prestwick airport over the past seven days. First, Globespan, Scotland's largest independent tour operator, has announced scheduled services from Glasgow Prestwick airport next year to Palma, Malaga, Nice and Rome. Secondly, yesterday, in conjunction with its launch in Bournemouth, buzz—KLM's low-cost carrier—announced a scheduled service between Prestwick and Bournemouth. There will be around 15 services a week. The combined effect of those two developments is that, next year, Glasgow Prestwick airport's passenger numbers will probably exceed 2 million. Nevertheless, I remain humble, as I note from its submission that BAA currently takes 16.8 million passengers through its three Scottish airports. We still have quite a way to go.

International links are perhaps most salient in the discussion about tourism. There are now flights from eight international destinations to Glasgow Prestwick airport. In its submission, BAA Scottish Airports claims to handle flights to and from 11 international destinations, of which two are summer-only destinations. Therefore, although Glasgow Prestwick airport may still be quite small—despite being the fastest-growing airport in Scotland—we are getting there in delivering value and tourism into Scotland.

I conclude by underlining the points that were made by Ryanair and easyJet. If a low cost base is provided and low-cost fares are promoted, people will be brought into Scotland in droves.

Robert Macleod (Highlands and Islands Airports Ltd): Two years ago, Highlands and Islands Airports had a major change in its mission statement. Until then, it was funded to operate airports purely and simply. Two years ago, the mission statement was expanded to give the company responsibility for supporting the economic development of the regions that it serves. We see ourselves as facilitators of

tourism. That said, we also operate lifeline services that will never be profitable and which remain subsidised by the Scottish Parliament. Inverness airport is the only airport that we believe will be profitable in due course. We are looking at a target of 2008 or 2010 for that airport to have enough throughput to enable it to operate unsubsidised.

We have many initiatives to increase traffic. Indeed, we are very active on that front not only at our main hub at Inverness but at all our other island and mainland airports. We undertake that activity in conjunction with the major stakeholders, particularly the councils, Highlands and Islands Enterprise and the local enterprise companies. We continue to consider the business case for increasing traffic because, as with any subsidised company, a business case to increase traffic will require more subsidy in the first place.

We have spent hundreds of thousands of pounds of taxpayers' money to support new traffic, which generally develops tourism. Recently, we have introduced new services and have come to an arrangement that will increase the traffic of one of the airlines that operates to Inverness. It is now up to the airline whether it takes advantage of that arrangement. Of course, the details are commercially confidential, although I can say that we will extend the arrangement to other airlines that operate the same types of service.

Finally, I want to share with the committee the names of the two airports that my friend from Ryanair was too much of a gentleman to mention. They are Inverness airport and Stornoway airport.

The Convener: I think that we had guessed that, but thank you for putting it on the record.

David Field (BAA Scottish Airports): I have a couple of comments to make. On investment, no one knows what the current regional air services co-ordination—or RASCO—studies, which are coming to the end of their consultation period, will conclude, but significant investment might be needed to meet the expected demand for air travel in Scotland. Although that might or might not mean another runway, it will certainly mean an investment in airport capacity. BAA wants to make that point whenever it gets the chance.

We have a good track record of investing in airport capacity in Scotland. Since we were privatised, we have invested almost £500 million. We will almost certainly have to spend at least as much again, but we stand ready to do so. Although it is a bit difficult to predict such things precisely, Edinburgh and Glasgow airports have the capacity to handle about 17 million to 18 million passengers. As a result, we will have to invest hundreds of millions of pounds in those airports, and we will do so.

Much has been written and said about the high level of airport charges at our airports in Scotland, but no one ever mentions exactly what we offer the airlines to induce them to take a risk and start new services. Earlier this year, we announced that we are genuinely prepared to put £60 million plus on the table to reduce the risk to airlines that wish to start new international services. Although we have yet to make what I would describe as a breakthrough, I am pleased with the response that we have received from airlines of all types. I suspect that we will use that money wisely over the next few years. We also have a track record of reducing our charges every year and have made a public commitment to continue to do so, with a focus on international charges.

On partnership, it strikes me that many private and public entities are seeking to attract new international services. Indeed, many entities benefit from the attraction of new services, for example the airport and, I hope, the airline. The tourism industry and every other type of industry also stand to benefit in varying degrees once we make a breakthrough and start new international services. BAA Scottish Airports would like the public sector to get its act together and form a one-stop shop to provide a support package to encourage airlines to invest. It is quite clear that every other European region is doing that and I expect that most of them are well ahead in the sort of steps that they are prepared to take to attract airlines. That is having a significant effect on airline decision making. There is an opportunity for Scotland to work with BAA Scottish Airports and other airports to up the ante to make our service even more attractive.

Miss Annabel Goldie (West of Scotland) (Con): I apologise for being late. It was not all the fault of ScotRail. I have the same question for all three witnesses. I assume that there is surplus capacity at your respective airports. Can you quantify roughly what that is? Perhaps we can start with Mr Field.

David Field: I imagine that our surplus capacity is for something like two or three million passengers, but it is difficult to predict. Surplus capacity varies according to the time of day and year. We expect to have to invest soon at Edinburgh and Glasgow airports because we only have a little bit of surplus capacity left.

Miss Goldie: Is that the surplus capacity figure for your three airports?

David Field: Yes.

11:15

Robert Macleod: We do not expect to have to invest much at any of our airports except to upgrade the infrastructure for passenger development at Inverness. Our prediction is that

traffic at Inverness will grow to 1.8 million passengers by 2030, which is significantly at variance with the Department for Transport prediction of 800,000 passengers. In its present state, Inverness will not need much upgrading for that number of passengers.

Miss Goldie: There is obviously a lot of under-used capacity at the moment.

Robert Macleod: Yes.

Miss Goldie: What about Glasgow Prestwick international airport?

Tom Wilson: We handle about 1.5 million passengers per annum and expect more than 2 million next year. Based on our existing type of business, the existing terminal facilities can cope with about 3 million passengers with minimal investment—just some extra check-in desks and that type of thing. We could reach a capacity of 6 million within the existing infrastructure with modest investment, which would be justified by the level of charges with which we currently operate.

The airfield itself can probably take a capacity of up to 20 million. We have two long runways, both with full-length parallel taxiways. There is huge untapped demand at Glasgow Prestwick.

Miss Goldie: That was helpful. Thank you.

Glasgow Prestwick's submission mentioned a possible concern about the common ownership of Edinburgh, Glasgow and Aberdeen airports and the London hub at Heathrow. Will you expand on that comment? Is that common ownership a deterrent to the development of capacity at Glasgow Prestwick?

Tom Wilson: No, I do not think that it is a deterrent to Glasgow Prestwick at all; indeed, it might be helpful. However, it is perhaps a deterrent to the development of aviation services in Scotland. Reference was made to a suggestion that Scotland does not have the critical mass to develop a hub airport. However Iceland, with 250,000 people, and Ireland, with 3.7 million people, have hubs. Therefore, I do not accept in principle that—

Miss Goldie: Denmark has 5 million people and has a hub. Therefore, you think that it is defeatist to consider that Scotland could not necessarily be a hub location.

Tom Wilson: Yes, of course. There is an emerging market in eastern Europe. Why could we not be a hub for there? We must look outside the United Kingdom. I am not suggesting that we will necessarily get people travelling from London through a hub in Scotland. If we cannot get people to go from Glasgow airport to Edinburgh airport, it will be extremely difficult to get people to come from London.

Miss Goldie: That was helpful. Thank you.

Tavish Scott: May I say how refreshing Mr Wilson's last comments were following what we heard earlier this morning?

I want to ask Mr Macleod about HIAL. Why do we not just abolish HIAL and let local authorities and local enterprise companies run the airports in their own areas? For example, if Highland Council wanted to create a low-cost centre at Inverness airport, it could go after that as aggressively as it wanted to.

Robert Macleod: Indeed. I do not think that HIAL in itself is a deterrent to low-cost operations. Ultimately, the issue comes down to whether councils are willing to pay the money. HIAL's airports currently cost a subsidy of £22 million. I know that that sum is not divided up equally, but if it were divided among 10 airports, that would be a significant amount of money for each. The only council that has shown any interest in operating airports is Shetland Islands Council. I stress that, ultimately, the issue comes down to money. If we go on to discuss Inverness and Stornoway and low-cost, no-frills carriers, I will expand on what I have said.

Tavish Scott: I noticed that your submission states that 70 per cent of the £22 million annual cost of HIAL is for operating costs. I presume that the remaining £7 million is spent in other ways, so if changes were made, there is some room there. Does the PFI Inverness terminal impact on passenger costs for passengers who proceed through Inverness?

Robert Macleod: Yes. The PFI at Inverness was structured in 1997. At that time, PFI was the only way in which we could get a new terminal. We needed a new terminal because the existing one had been condemned by the then Department for Transport, Local Government and the Regions and the Civil Aviation Authority. The terminal was overcrowded and simply not good enough to handle the national airport security programme. We needed a new terminal urgently and PFI was the only game in town. The PFI is structured in such a way that we pay a per capita charge, so the charge goes up with the volume of traffic. There is no doubt that that acts as a deterrent to no-frills carriers, although easyJet has been flying to Inverness since 1996.

Tavish Scott: So the more passengers who go through Inverness, the higher the cost and so the more expensive it is for airlines to use the airport.

Robert Macleod: Yes and no. I am sorry to fudge the answer but, at present, the PFI structure does not have a significant effect on airlines that are prepared to pay the full landing charges. Those charges constitute only a third of the cost of operating the airport. There would be an effect for

airlines such as Ryanair, which require significantly lower landing charges to operate. Such carriers might be prepared to pay £1 per inbound or outbound passenger, which is 50p per passenger. As the PFI costs nearly £3 per passenger, that would mean an instant loss and the figure would have to be made up from public funds.

Tavish Scott: I understand that point. British Midland Airways has just opened up a new service between Edinburgh and Stornoway. You referred to the money that you offer to airlines for route development. Have you offered BMI a deal over a certain period? I do not expect you to say what the deal is, but does BMI receive a package to encourage it to stay at Stornoway? Is the route sustainable?

Robert Macleod: We offered BMI a start-up discount, the details of which are published. It receives a 75 per cent discount on landing charges for the first year, although that does not include security charges. The discount in the second year is 50 per cent and in the third year it is 25 per cent. Such discounts are not unusual in the industry. In the first year, we will give back the 25 per cent that we make as a lump sum for marketing. In effect, the first year is free, apart from security charges. We have offered BMI the discounts for the days on which it does not compete head-on with Loganair—that is, five days a week but not at the weekends. We have not offered BMI anything for the weekends, because an operator was already flying the weekend routes.

Tavish Scott: The Department for Transport's general consultation exercise on aviation asks specific questions about cutting costs in the regulatory regime, which applies to all airports, including those in the Highlands and Islands. Have you assessed which costs might be cut? Is there room in HIAL's operations to make savings, which could then be passed on through lower landing charges?

Robert Macleod said that he does not expect to upgrade airports other than Inverness. Is that his absolute statement about the future capital programme? I would be worried if it was.

Robert Macleod: That was not what I meant. Forgive me if that was the impression that I gave.

We are interested in the study on regulatory costs. During the past two or three years, we have examined what happens in other European countries that are signatories to the International Civil Aviation Organization standards. We believe that the one-size-fits-all CAA regime, which means that the same regime applies to Barra and Heathrow, does not fit. We should have a more appropriate regulatory regime for airports in the

Highlands and Islands, which is why we have set up an initiative to seek from the CAA amelioration of the regulations that are not appropriate to small airports.

Brian Fitzpatrick: It is no secret that one view that will be urged is that the central belt airport—be it Stepps international or whatever—should be one future investment. Without that, we are stymied.

I was interested in BAA's submission with regard to the level of investment that there has been already. Is a figure available on where that investment sits in relation to investment for Glasgow and Edinburgh? Without committing himself to a decision that will be made much further down the road, will David Field give his views on the argument that Glasgow and Edinburgh airports cannot be sustained, so we will have to look towards growth at one airport?

David Field: I am not sure how much of the investment that we have made in our Scottish airports has been for Glasgow and Edinburgh, but the figure is probably not far from being £400 million or so, divided 50:50. We have certainly never said—and I have never seen it written anywhere—that the sustainability of Scotland's airports is dependent on our having a central lowlands airport. There is no suggestion that Glasgow and Edinburgh airports will not be able to provide adequate capacity for the foreseeable future, or indeed well into the future.

You did not ask this, but I will tell you anyway. BAA's view on a central lowlands airport is that if we were not starting from here, it would be a good idea—as the saying goes. Apart from anything else, we think that it would be far too expensive, once passenger charges are passed down, to provide a single airport to serve the lowlands at a cost that would attract airlines to fly into it. Given that we have invested so much in our two airports, we would need to be compensated for closing them. In addition, the costs of surface access improvements to any new airport would be so significant that they would make the whole project unsustainable. We think that it is too late to have a single lowlands airport, but that is not a problem: we do not need one, because we have two airports and, indeed, other airports that serve other parts of Scotland. Our company has no shortage of funding to invest when it is needed.

Brian Fitzpatrick: I take it that Prestwick airport shares that view, from the distaff side.

Tom Wilson: It is unlikely that creating a new airport will be justifiable. As I said, we have to get the focus away from just Glasgow and Edinburgh. First, it is regrettable—and I sympathise with BAA on this entirely—that the media have hijacked the matter and created an argument that we must

have Glasgow airport or Edinburgh airport. I do not think that that is the case at all. The other point that I want to make, which David Field will probably disagree with, is that the central belt has three airports. The one that I run at the moment has far more developable capacity than do the other two, particularly given environmental considerations.

The Convener: People are prepared to travel to Ayrshire.

Tom Wilson: Yes. They do not go to Abbotsinch, but they will come to Ayrshire.

The Convener: Absolutely.

David Mundell: Are we seeing a layering of airports? Paris Beauvais Airport, to which I travelled on a Ryanair flight, is different from any of the BAA airports. A lot of the money that is invested in airports is invested in shops, bars and the periphery. Are we heading towards having different styles of airport to which people look to go? One of the attractions of flying into Prestwick is that one does not fly into the middle of Glasgow or Edinburgh, with all the inherent transport difficulties that that creates.

11:30

David Field: It is certainly true that there are many different types of airports, and different business models that support those airports. There are dozens of airports in Europe of the Beauvais type, which have had past investments in runways and modest capacity. Those investments were forgotten about a long time ago, so there is hardly any cost to providing capacity. Airports of the Beauvais type are starting to become attractive to airlines that are susceptible to low prices. That process will continue throughout Europe.

BAA's business model is different, partly because our airports tend to be closer to city centres and partly because we have not made investment decisions in isolation from what airlines have wanted us to do. The infrastructure at all our airports has been designed substantially in partnership with airlines.

David Mundell mentioned shops. Modest investment is required to provide shops, compared with the cost of a terminal. By providing shops, we have been able to raise extra money to keep costs to airlines down. That applies to our airports in London, in particular. As our airports in Scotland get bigger, we are starting to enjoy economies of scale, which has enabled us to reduce our charges. We have only one fire service at each airport. As the airports get bigger, we will not need two. We are finding ways of spreading costs more equally.

The fact that there are different types of airports and business models is an issue for Scotland. BAA's current model requires us to look into the future and to spend hundreds of millions of pounds on extending taxiways, terminals and baggage systems to attract a variety of airlines. The BAA approach is to provide high-quality terminals that deliver higher-quality passenger service and offer airlines a variety of options. It is not possible for us to drop our prices through the floor and make our business model unsustainable just because there is now another type of airline that does not value those things as highly as others do. The future diversity of airlines and airports is an interesting subject.

David Mundell: How do those comments fit with Tom Wilson's business model?

Tom Wilson: To be fair, we came to this issue with a slight advantage. BAA sold Prestwick with no passengers, so we were starting from scratch. We have capitalised on the low-cost airline market and have structured our business and cost base specifically around that. Many other airports are faced with the dilemma of whether it is possible to have a two-charge structure, with one charge for low-cost airlines and one for mainstream airlines, when one is providing the two groups with essentially the same services. The low-cost airlines may not want all those services, but they exist in any case. Our philosophy is that the main growth will come from low-cost airlines. We are in that market and intend to stay in it.

David Mundell: I want to clarify the point that you made about hubs. Do you mean that people would come to Prestwick from one location and transfer to a flight to another location, or do you mean that Prestwick would be the base for many flights by a particular airline?

Tom Wilson: There is merit in researching the former option. One way of increasing the traffic that passes through Scotland is to share Scotland with other countries that do not have the critical mass to secure direct services to certain destinations. It does not matter whether those destinations are in North America, central Europe or the Asia-Pacific region. Inadvertently, we have dismissed that suggestion out of hand. Iceland and Ireland have smaller populations than Scotland, but they have successfully developed true hubs.

David Mundell: What is David Field's view on that?

David Field: To me, a hub is the former of David Mundell's definitions: it is a concentration of services where passengers transfer from one flight to another. I agree with Tom Wilson that there is no reason why Scotland could not have a hub airport. However, it is a mistake to think that we

can build a hub airport. We have to make an airline or a bunch of airlines so motivated that they want to put the hub together; the airlines would create the hub and the interchangeability. The airport needs to send to the marketplace the right signals to say that it will invest in its facilities to make them more suitable for hub operations. BAA has always done that and will be delighted to do that if one airline or more wants to start building its business that way.

Technically, we can put a hub anywhere, although ideally it would be between large traffic flows. Tom Wilson mentioned Iceland; Icelandair would not exist if it did not have its hubbing business, because it does not have the critical mass to operate on a point-to-point service. If, between us all, we can find a group of airlines that want to make one airport in Scotland into a hub—it would make sense to do so only at one airport, because we would need the critical mass of services working in harmony—we could do it. I do not think that anybody in BAA has ever said anything to the contrary.

Perhaps this is a good opportunity to pick up on the point about the ownership of Heathrow and the hubbing that takes place down there. Two arguments come up time and again. One is that it is in BAA's interest to push everybody out to Heathrow so that we get landing charges twice. I cannot remember the second argument, but I will come back to it in a minute when I remember it.

On the first point, the congestion at the London airports has been mentioned. Those airports are far too congested and in terms of pure profit, it would best suit BAA to have 747s fly international services out of Heathrow and to stop all domestic flights to Heathrow. It is complete nonsense to suggest that there is any mechanism by which BAA can force people to go down to Heathrow or Gatwick to a hub, or to suggest that to do so is in BAA's overall financial interest when it is clear that it is not. My chief executive and deputy chief executive have been up to Scotland and will come up again if they are asked. They will say again that it has never been BAA's policy to deny Scotland international direct services so that we can feed Heathrow. Quite the opposite is true.

I still have not remembered my second point about Heathrow.

The Convener: I ask David Mundell to make his next question his last one.

David Mundell: I am finished.

Mr Ingram: On David Field's last point, what about Manchester and Birmingham? I notice that most British Airways flights go from Glasgow to Manchester or Birmingham before they go abroad. Those airports are also BAA airports, are they not?

David Field: No they are not, which illustrates my point that the airlines create the hubbing. British Airways has chosen to develop markets in that way; that has not been our decision.

Mr Ingram: I will switch to tourism policy in Scotland. Glasgow Prestwick International Airport and BAA are highly critical of how we go about promoting tourism. You say in your submissions that we are falling behind some of our competitors in Europe, particularly in taking advantage of low-cost airlines. Will you develop your ideas on what we should be doing in Scotland, in particular on the public sector side?

David Field: I am not sure that I have been critical of the tourism effort. I have often said, and will continue to say, that promotion of tourism could be done better and that greater value could be obtained by assembling transparently the total amount of money that is available through the various agencies—not only VisitScotland or the area tourist boards, but the enterprise companies—and in such a way that we could invite airlines to come to a single place to obtain support to help them to take the risk of developing new services. Every airline, with different shades of enthusiasm, would tell you that, if you did that to help them to justify to their boards the risks that are associated with new services, you would get more.

It is fairly obvious that, most recently, Wales and the north-east of England have put together packages of support to attract new base carriers and develop services that go across Europe; however, information on that is only anecdotal and only the areas concerned know the situation. However, there are dozens of examples elsewhere of that happening. Scotland is not aggressive enough and not enough funding is available here, which means that carriers are more likely to consider other places first.

There are exceptions, of course, and I refer not only to the low-cost carriers. I am speaking to a number of more traditional carriers at the moment, which are all highly motivated by the availability of risk funding, whether in the shape of marketing, initial discounts or whatever. It all amounts to the same thing to them: it reduces their risk to an acceptable level and gives them the necessary confidence. That is true not only of low-cost carriers, but of all airlines, including transatlantic airlines.

Tom Wilson: I agree with David Field but, as I stated in my submission, and as we heard from the airlines' representatives, it takes more than one egg to make an omelette. It is not intended that those would-be services will be flown purely on the back of tourism. Tourism is the world's biggest industry, and Scotland's approach to it is fragmented and apparently dissociated from the

rest of economic development, which is wrong. Questions were asked earlier about, for example, how much employment the airlines create in Scotland. That is a valid question. Careers, not simply jobs, are being created; for example, the recent establishment of the engineering base at Glasgow Prestwick has created careers.

Given that so much, including business tourism, follows from the tourism industry, it is dangerous to develop it in isolation from the rest of economic development. The structure must be radically simplified, and I have sympathy with easyJet's argument that the money should be given to the airlines because that would be much more effective than its being spent as it is now.

Mr Ingram: It is clear that you have experience of Ryanair's development of routes. Your submission states that the future is dependent on increasing the number of inbound passengers to Scotland, but the committee heard from David Field and others that the low-cost airlines are good at sending Scots out of Scotland. Surely, the economic development argument is that we must bring more people to Scotland, so how are we progressing in that area?

Tom Wilson: With reference to Mr Mundell's point, France is a bad example, because the French typically holiday in France. It is the only predominantly outbound route from Glasgow Prestwick. The other routes, including the service to Stansted, deliver at least as many people to Scotland as they take out. The key is to focus on ensuring that the desire exists among people in Europe to come to Scotland and that we up our game and bring tourism here into the same league as tourism in Ireland. We have a tremendous brand image and the notion of Scotland is well known, but we need to promote modern Scotland, what it has to offer and the reasons why people should come here. Of course, the cost and the convenience of access are paramount.

Mr Ingram: Neither Mr Field nor Mr Wilson is giving the committee a prescription; you are saying that we must get our act together, but you are not pointing to a model.

David Field: I do not mind giving the committee a suggestion. I have mentioned several publicly funded bodies, including the tourist boards and the enterprise companies. Somebody in the Scottish Executive could decide to embark on a short and sweet initiative to pull those bodies together, allocate budgets and implement an action plan. BAA is more than ready either to lead or to participate in a joint group to allocate as much money as possible using the right criteria. We all want to ensure that the money is used in the right way—no one is suggesting that public money should be used unwisely. As airports—and as I am sure Tom Wilson will agree—we do not expect the

public sector to support more flights on which 100 per cent of the people on board are Scots travelling abroad.

Most of our airports, including the London routes, bring as many people to Scotland as they take out, and many of the new domestic services bring more people to Scotland than they take out. Someone needs to grasp the situation; money is available and if it were channelled more wisely, we could have a big impact on bringing new airlines to Scotland. BAA Scottish Airports stands ready to participate in such an initiative.

11:45

Rhona Brankin: The low-cost carriers say that the problem is prices, and you have stated that those carriers' profitability is greater than yours. Is increased public funding the only way out of what appears to be a stand-off? What comes first? You say that you want to expand the number of low-cost carriers operating out of your airports and the carriers are keen that that should happen if the price is right. Is not it worth taking a risk by investing to ensure that low-cost carriers are attracted to Scotland? Are you at a stand-off?

David Field: We are certainly not at a stand-off. We are currently talking to several airlines—those that offer low-cost services and those that do not—and we are making significant progress. Each carrier and each airport has its own solution and we have no intention of trying to compete with airports for lots of excess capacity and a model that allows them to charge very low prices for the long-term future. We are prepared to discount our fees significantly and to market them, but our business model will allow prices to be lowered only so far. However, I believe that our prices are low enough. Sometimes it takes only a little help from a third party. With a little help, whether from tourism or enterprise companies, we would make more breakthroughs.

I have a great deal of respect for Ryanair and Prestwick. The new base is a phenomenal achievement. However, not all airlines want to fly to Prestwick or have business models that are based on flying to secondary airports. Easyjet is one example; its Scottish bases are at BAA's three Scottish airports. We talk regularly to easyJet and are very close to achieving our floor price, which might be enough to get easyJet to offer international services to Glasgow, Edinburgh and Aberdeen, although I do not know. I am fairly confident that if other moneys were available we would make a breakthrough much more quickly.

Rhona Brankin: I want to ask about Newcastle and Manchester. Someone mentioned the attractive packages that they can offer. Why cannot your company offer such packages or are you already doing so?

David Field: We can offer such packages, but my point was that the airports are making offers. Sometimes that is enough; sometimes it is not. An anecdotal example is that in Newcastle, it is pretty obvious that the enterprise companies and tourist boards in that area were able to add sufficient value to what the airport could offer to convince easyJet to fly there. If the same happened in Scotland, there would be more new routes.

Rhona Brankin mentioned risk. We are prepared to risk hundreds of millions of pounds to create the capacity that is necessary to meet the needs of all airlines, especially at Edinburgh and Glasgow airports. If no one wants a terminal extension once it has been built, it still represents a massive investment that must be paid for. We stand ready to take such a risk, but we must be assured that we will get a reasonable return for doing so. For example, it will cost a big business about 8 or 9 per cent to borrow £100 million and that is just the start. There are also operating costs; for example, the cost of handling more passengers impacts on security and other costs. We are prepared to offer initial prices that are below cost price and if other companies that benefit from new passengers coming to Scotland want to help us, we will win more new routes. If they do not help us, we might not be successful.

Tom Wilson: As David Field said, the evidence is anecdotal, but there does not seem to be much doubt that something happened in the north-east; something certainly happened in Cardiff to get British Midland to go there. That is happening all over Europe. We have seen Ryanair's growth at European airports that once had fewer Ryanair passengers than Prestwick, but which now have more. That has a lot to do with joined-up thinking in those areas. When I raise the matter, I am told continually that such practice is against European Union rules, but all the areas that we are talking about—including Wales—are in the EU and that does not seem to be an issue. That is strange.

Another point that we need to understand—I have tried to champion this principle at Prestwick—is that we do not need to be merely the same; rather, we need to be better. The principal reason that we have to be better is that we are further away from most of the markets that we aspire to serve. It is very difficult to operate four return flights a day on a 737 jet out of Scotland to four significantly attractive destinations. That is the business model that most of the low-cost carriers require in order to be low cost. The prime ways in which to achieve low costs include not only low airport charges, but high aircraft utilisation to get the best value and the best return from the asset.

It is easier even from Newcastle to get to the destinations in Europe that the carriers will serve

and it is certainly a lot easier from places such as Bournemouth and Wales. We will have to be that bit better and recognise that we will probably have to offer more—or less in the way of charges—to make the economics the same for the airline. It is an oversimplification to examine only the profit per passenger that low-cost carriers and airports make and say that that does not seem fair. I hazard that the profit per passenger that a low-cost carrier makes out of Scotland will be less than it will make out of London. Anecdotal, yields—average prices charged per ticket—from Stansted or Luton to a particular destination in Europe will be comparable to the fare that is sustainable out of Scotland, but there might be 50 to 60 minutes more flying time. There are also extra airline operating costs associated with that, which we must focus on. We cannot be just as good; we must be better.

Mr Macintosh: Is it possible to come up with a fare structure? I assume that the initiative that the Executive could participate in would be joint marketing. Would joint marketing be sufficiently attractive to provide the boost that Newcastle and Cardiff enjoyed? Could you draw up criteria that would be fair to BAA and Glasgow Prestwick, as well as to British Airways and the low-cost operators?

David Field: Joint marketing might be okay, but there has to be tangible value. An airline that is starting a new route, whether it is British Airways, Ryanair or easyJet, will have a pretty good idea of how it can create awareness in that market. Tangible joint marketing in order to promote a service into Scotland by a certain airline might be effective, but I am not suggesting that you should write out a cheque. What was the second question?

Mr Macintosh: Could you draw up fair criteria?

David Field: Absolutely. The matter is not necessarily to do with the airport or the type of operator. The Scottish public sector would have to decide on services to cities—services that would be in the short-term and long-term interests of the Scottish economy. We could put a lot of dots on the map to show the sort of cities to which we would like to see links. There are certain cities where it would be almost certain that the vast majority of passengers would be outbound, so those could be crossed off the list.

You could also decide on the type of operation. You might decide for business purposes that certain types of support would be available for airlines that were prepared to operate double daily services, which would clearly be more attractive to business and would help to bring investment to Scotland. One flight a day would be perfectly adequate to generate inbound demand on leisure-oriented services.

It is up to the airlines—more than any other part of the equation—to decide to which airports they would like to fly in order to avail themselves of support and to serve markets. I do not think that we will push airlines towards a particular airport; we will just make criteria openly available.

Mr Macintosh: Does Tom Wilson agree? It could be a fair offer, as it were, to all the players involved.

Tom Wilson: I will develop what David Field said, and return to my earlier point about tourism being an industry. In other instances of inward investment in Scotland, we identify market opportunities and try to attract companies to come in, on the basis that we identify value with the creation of employment. We do not seem to take that view when it comes to bringing tourists into the country.

We should put some crosses on the map to mark areas in Europe from which we think we can get substantial inbound demand. We should then find airlines that can serve those areas and ask them to tender for those services. If we need to pay them for a time, but the payment is justified on the return that we will get based on the market model for inbound tourism, we should do that. I cannot see the difference between paying millions of pounds to Chunghwa Picture Tubes and paying millions of pounds to an airline to develop the economy in Scotland. It defeats me why we do not view the two in the same light.

Mr Macintosh: Can you tell us anything concrete, as opposed to anecdotal, about what we could do other than marketing? You gave the example of regional selective assistance. Are there any other funding sources that the Government could use to build up airlines and make airports in Scotland more attractive?

Tom Wilson: I am insufficiently familiar with the current structure of funding packages, but regional selective assistance tends to be based on the amount of capital investment that a company is prepared to make and the amount of jobs that it will create. I do not see why a similar structure could not be established to attract airlines to come in and operate.

The Convener: Before we finish, I have a couple of questions for Robert Macleod, who has been sitting quietly for a wee while. In your reply to Tavish Scott, you pointed out that landing charges represent about one third of your total revenue. What makes up the other two thirds?

Robert Macleod: The other two thirds are direct subsidy from the Scottish Executive, which is vital to the running of the Highlands and Islands airports. As I said, the only airport that will be profitable is Inverness airport—the others will always require subsidy.

The Convener: I return to the PFI. As you say, given the way that it is structured, there is a built-in disincentive to increasing traffic through Inverness airport. The logical way in which to bring Inverness into profitability earlier would be to increase throughput. Experience at Prestwick has shown that throughput has been a key factor in its success. It is lunacy that the PFI is structured in such a way that it acts as a disincentive for you to attract more passengers to Inverness airport which, any time that I go through it, and although it is a lovely airport, is usually more or less empty. Is there any way in which the PFI could be restructured to get rid of that daft anomaly?

Robert Macleod: The situation is equally lunatic to us. As I said, when we created the PFI it was the only game in town. Perhaps we did not appreciate it at the time—there was not the same pressure in those days—but the Highlands and Islands airports are singularly different now, compared with what they were even five years ago.

As has been mentioned, there are many different business models for airports. Indeed, when we came under pressure from Ryanair to lower our charges to what it was looking for, we had to consider the fact that we already had flying into Inverness a no-frills airline that was paying the going rate, and that we had several other airlines that were paying the going rate. We had to establish what we would do.

As part of creating a business case, we have taken several initiatives. We and Highlands and Islands Enterprise have commissioned a study, which will be with us shortly, on the economic benefits that no-frills carriers would bring to the route. We realise that they bring economic benefits—it is not rocket science—but we want to prove that to ministers who have to make the case for giving us the extra subsidy.

The other initiative that we have considered is restructuring of the PFI contract, on which we are working at the moment. If we could introduce a fixed charge, we could treat that as a fixed overhead and we would not have an escalating price.

The Convener: What is the timetable for your study and restructuring of the PFI?

Robert Macleod: I am not sure about the PFI, but the study will be completed by the end of the month and we should be able to publish it then. From what I have seen of the early figures, it looks as though the study will be significant. The PFI is a little more open-ended at the moment.

The Convener: Is there no need for a sense of urgency? Tourism throughout Scotland—in particular in the Highlands and Islands—has been bleeding for about five years. I would have thought

that getting all these extra visitors into Inverness and the wider Highlands and Islands would be a matter of urgency.

12:00

Robert Macleod: Yes. However, you must appreciate that we are in the hands of a contractor that is extremely comfortable with the present contract. The contractor has expressed willingness to discuss the contract, but we cannot force the issue. We would like the contractor to agree tomorrow, but we will continue to press for the changes.

The Convener: Thank you—your written and oral evidence has been very helpful. I thank all three of you for travelling to Edinburgh from much further afield than Glasgow.

Item 2 is the final item with which we shall deal in public. I shall update the committee on the British Tourist Authority restructuring plans. At our previous meeting, we quizzed the minister quite intensively about the relationship between the British Tourist Authority and VisitScotland. Gordon Jackson and I made a number of suggestions about what we would like to see in the future, in terms of VisitScotland representation in BTA offices. No mention was made by the minister—nor did he even hint—that there was to be a statement the next day on that very subject. I am disappointed that the minister did not tell us that such a statement was to be made. My experience of ministers has been that, if a statement is imminent they usually say so, although they cannot tell us the detail.

However, I received an offer to meet the chairman and the director of marketing of the British Tourist Authority, who were in Scotland last week. They gave me an update on what is happening. We prepared a minute of that meeting, which has been circulated to all members of the committee. We also subsequently received a letter from Peter Lederer, the chairman of VisitScotland, offering us another private meeting with VisitScotland. That is open to discussion. My view is that, in our three meetings with VisitScotland, we have explored all the issues that we need to explore with it. It is not good practice to hold an excessive number of meetings with one organisation, unless there is a very good reason for doing so—and I cannot think of one. I have circulated the information on the BTA announcement, but I will not reply to Peter Lederer until committee members have aired their views on how we should reply.

Tavish Scott: A lot of questions arise from the statement, and it would be helpful for us to have a meeting with the minister. The minister must have known what was going on when he came before

the committee. It would have been helpful if he had postponed his visit to the committee until after the statement, so that we could have discussed the matter properly. It is a waste of his time and our time if we have a long debate on a subject that changes within 24 hours. That does not strike me as a good way of doing business, either for ministers or for committees.

I would be interested to know Mr Watson's availability to attend a future meeting. In his press release, which the clerks have circulated, he states:

"I will also be keeping a close eye on how the British Tourist Authority discharges its new role in marketing England as a tourist destination in the GB market."

We would all like to hear what that means, because one could interpret that in different ways. It is important that we invite the minister to the committee so that we know fully what is going on, for the benefit of our inquiry.

Brian Fitzpatrick: I have no difficulty with inviting the minister to come back at some stage. Indeed, as our timetable has some slots hanging or pregnant, we have the time to do some exploration. I have no particular difficulty with BTA's role in relation to England, because the news release from the Department for Culture, Media and Sport made it quite clear what the BTA was about. We should invite Mike Watson back, but on whether we should invite Peter Lederer, I am neither for one way nor the other.

We have previously commented that, although the committee is willing to do things openly, transparently and in public, our sessions in private have given us a lot of added value, because people tend not to give the received standard line. We have heard some useful stuff this morning, but we had a wee bit of the standard line. People tend to be a bit more frank in private meetings. I am tempted towards that option just because of the number of witnesses.

The Convener: We need to get the balance right, but we have had a fair whack.

Brian Fitzpatrick: However, it is a fair point to raise in public.

Rhona Brankin: In an ideal world, I would put some of the points that we have heard today to VisitScotland and to Scottish Enterprise, but I do not know whether there is time for that. Perhaps we could write to them to ask about specific points. I would be interested to see their response.

Gordon Jackson: If members want Peter Lederer back, that is fine, but having VisitScotland back before the committee is not the equivalent of giving it another crack of the whip. If anything, it allows us to take another crack at VisitScotland.

I agree with Rhona Brankin: VisitScotland is the hub organisation and, whether we like it or not, VisitScotland is the focus of the matter. Our report will be on VisitScotland's structures and on how it does business. I would like to see the VisitScotland people at the end of our inquiry after all points have been raised. That is not so that it will have a better chance. I agree that they should not be preferred, but we should find out what their position is. I am keen to ensure that all the points that other people make are, to use a more legal phrase, put to VisitScotland.

The Convener: There is a view that we should invite both VisitScotland and the minister to give evidence.

Gordon Jackson: I agree with Rhona Brankin that VisitScotland are the key people to whom we should put everything at the end of the inquiry.

Marilyn Livingstone (Kirkcaldy) (Lab): I agree with Rhona Brankin that we should also invite Scottish Enterprise if we have time, given some of the views that we have heard this morning.

The Convener: Should we include Highlands and Islands Enterprise as well as Scottish Enterprise?

Marilyn Livingstone: Yes.

Simon Watkins (Clerk): If I may make one technical point, we need to have published our report by the end of January—our current timetable—if we want an Executive response prior to the election. The committee would need to try to stick to that timetable for its report.

The Convener: I think that we could do that. Is the general consensus that we should bring those organisations back for a public meeting? The meeting need not be lengthy as long as it allows us to raise the points that have been made.

Gordon Jackson: For that purpose, instead of redoing everything, we could put to VisitScotland only the relevant matters that come up.

Mr Macintosh: I would like clarification of whether the convener is happy that we do not need to hear from the BTA again. I do not want to make the intended meeting longer, but is the convener confident that all the issues were explored?

The Convener: To be honest, I think that the BTA has given all that it can give us. The only other person that we could ask is the UK minister, but as we will take evidence from the Scottish minister, to do so would be redundant.

Mr Macintosh: That is fine, as long as you are happy that we have put to the BTA all the questions about its set-up.

The Convener: I must say that the BTA has not only gone out of its way to brief the committee all along but, as far as I can determine, has given us all the information that it could. I do not think that it is necessary to see the BTA in addition to VisitScotland and the minister.

Are we agreed that we will invite Mike Watson, VisitScotland and the enterprise companies back for a final public meeting?

Gordon Jackson: I think so.

Members *indicated agreement.*

12:09

Meeting continued in private until 12:27.

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