

ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Wednesday 5 February 2003
(Morning)

Session 1

£5.00

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE

4th Meeting 2003, 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

Ian Chisholm (Columba 1400)

Norman Drummond (Columba 1400)

Iain Gray (Minister for Enterprise, Transport and Lifelong Learning)

Sue Kearns (Scottish Executive Enterprise and Lifelong Learning Department)

Nick Kuenssberg (ScotlandIS)

Robin Naysmith (Scottish Executive Enterprise and Lifelong Learning Department)

Polly Purvis (ScotlandIS)

Stevie Seigerson (Columba 1400)

CLERK TO THE COMMITTEE

Simon Watkins

SENIOR ASSISTANT CLERK

Judith Evans

ASSISTANT CLERK

Jane Sutherland

LOCATION

Committee Room 2

Scottish Parliament

Enterprise and Lifelong Learning Committee

Wednesday 5 February 2003

(Morning)

[THE CONVENER *opened the meeting at 10:04*]

The Convener (Alex Neil): Good morning and welcome to the fourth meeting in 2003 of the Enterprise and Lifelong Learning Committee. I have received apologies from Andrew Wilson and Rhona Brankin. Ken Macintosh will join us later and Tavish Scott has to leave around 11.30 or 11.45. I welcome David Mundell after his little scrape last week—we are glad that he came out on top.

Brian Fitzpatrick (Strathkelvin and Bearsden) (Lab): He is unscathed, anyway.

The Convener: I also welcome three visiting clerks from the Bosnian Parliament, who are sitting on my right, and visitors from Scottish Enterprise Tayside, the small business gateway in Tayside, Perth and Kinross Council and the Dundee by design partnership.

New Economy

The Convener: Our first item is to follow up our 2001 “Report on the Inquiry into the Impact of the New Economy”, in which we made a number of significant recommendations covering a wide variety of related subjects. I welcome from ScotlandIS Nick Kuenssberg, chair, and Polly Purvis, chief executive—their faces are well known to the committee. I ask them to say a few words, after which we will ask questions.

Nick Kuenssberg (ScotlandIS): We have circulated a brief paper to remind members who we are and what our credentials are. We are a small team, but we represent a large and significant industry that has gone through—and continues to go through—extremely troubled times. Those troubles are largely a result of international implications arising from the meltdown of the telecommunications, media and technology sector and the hangover from the information technology sector’s successful Y2K campaign, for which it is now paying.

Our paper comments on two particular areas: the necessity for investment in broadband in Scotland and a new initiative that we are taking with Scottish Enterprise. We are working closely with Scottish Enterprise and I hope that some interesting developments will emerge in the coming few months.

Before I pass the baton to Polly Purvis to provide the details on those matters, I point out the comments, which members might find interesting, on progress to date on the committee’s recommendations. We have one or two other thoughts to share with the committee, but I think that they will emerge from the discussion. So that we do not lose the clarity of focus on the two issues that our paper identifies, I invite Polly to comment on them.

Polly Purvis (ScotlandIS): Members will remember that, when they were putting the report together in 2001, ScotlandIS contributed evidence on the roll-out of broadband in Scotland, on which our paper provides an update. As Nick Kuenssberg pointed out, in the interim, the software and information and communication technology industry in Scotland has gone through an extremely difficult time. We are working to put in place an economic infrastructure for the future that will help to make the industry more robust as it develops. I welcome any questions that members might have.

The Convener: Thank you. I will kick off by asking a couple of questions. First, is the software industry initiative, which has the working title of the software game plan, the same initiative that Hugh

Aitken from Electronics Scotland mentioned? He suggested the idea to ministers and it was the subject of an article in one of the Sunday papers two or three weeks ago.

Polly Purvis: No. There is one overarching initiative, which is being called the software game plan internally. The project that Hugh Aitken referred to is known as the integrated tartan stack. It is intended to be an analogy for the ability to stack computer hardware and software one on top of the other to give the required application results; it is a marketing and promotional tool. It would form part of the game plan, which includes the promotion of Scottish ICT within Scotland and internationally.

Nick Kuenssberg: The interesting point to note is that the concept was launched at our annual conference—Scotsoft 2002—by Gordon Cameron, a senior sales executive with Sun Microsystems who is on the board of ScotlandIS. We gave him a platform to talk about software marketing, which, to be honest, we are not very good at in Scotland. The initiative is one of his strong recommendations. It arises from the concept that increasingly even the large companies want to work with a range of partners because they realise that they cannot do it all themselves and that they can lose opportunities because they appear to many of their potential customers to be too overpowering. The initiative fits in with market developments. We believe that by attempting to create that infrastructure, smaller companies—most of our software companies are relatively small and some are extremely small—will have an opportunity to partner larger organisations.

The Convener: Have you requested support from the Scottish Executive for the initiative?

Nick Kuenssberg: We have not specifically done so yet because we are still working on the idea. As we hint in our submission, we are party to what is, in my view, an important initiative, which is the formation of an umbrella organisation. Its working title at this stage is the Scottish technology forum, although we may change the name. It is an amalgam of five of the trade associations that work within the high-tech sector: the National Microelectronics Institute; Electronics Scotland; the Scottish Optoelectronics Association; ScotlandIS and the Scottish Semiconductor Supplier Forum. Hugh Aitken of Sun Microsystems is playing a significant part in establishing the forum. We believe that we must try to unite all the organisations that work in the various sectors so that we have a significant impact on the Parliament, the Executive and Scottish Enterprise and, more important, so that the various players work together.

The Convener: Is that initiative focused on hardware as well as software?

Nick Kuenssberg: It includes both hardware and software. Its ambition is to educate the greater public and the politicians that there is life in the manufacturing sector in Scotland and that it is not something to be written off; it just looks different from the sector of 20 or 30 years ago.

The Convener: Is the technology forum represented on the manufacturing steering group from which you resigned?

Nick Kuenssberg: The forum per se has not been represented on that group because it is in the process of being formed; we hope to make some significant announcements about it in early March. Hugh Aitken was on the steering group wearing a different hat. He had different views, which many in the manufacturing sector share.

The Convener: Do you want to expand on that?

Nick Kuenssberg: I think that that would be inappropriate. You will talk to the Minister for Enterprise, Transport and Lifelong Learning later and he will no doubt have a slightly different view. There is a difference between long-term thinking and planning and short-term, opportunistic, political statements.

The Convener: From that, I take it that you are not a million miles from Hugh Aitken's position on the value of the manufacturing steering group?

Nick Kuenssberg: The job that it was asked to do was difficult to complete within the given time scale and framework.

Miss Annabel Goldie (West of Scotland) (Con): When the committee was carrying out its original inquiry, it struck all members that the new economy scene was not cohesive. It was difficult to gather the different elements together. That was why the committee recommended that there should be some sort of strategic direction, and that someone—preferably outwith the political circle—should be appointed to drive the whole thing and gather together all the interested bodies. That has not manifested itself yet. Is that a deficiency in the current set up?

10:15

Nick Kuenssberg: Yes, definitely. We have to distinguish two issues. The first is the totality of the new economies, including the other groups that we have just talked about, which we are bringing under the umbrella of the STF. The second is the specific recommendation that you made, with our support, for a so-called e-tsar. I seem to remember that there was a joke made at my expense by the then minister, who said that an e-tsar was not necessary because there is a minister; I commented that ministers did not necessarily go on for ever.

Miss Goldie: How very prescient.

Nick Kuenssberg: It might have been helpful if someone had been appointed for a fixed term, with the responsibility, profile and clout to do something about the situation. That is not to say that a huge amount has not been done; however, what has been done has been done differently in many different places. It depends where you are. If you are in Aberdeen, you are probably feeling pretty good about things. If you are in more distant parts, you might be feeling pretty miffed because progress has not been as good as we would have liked.

Miss Goldie: So the specific recommendation that the committee made is still relevant.

Nick Kuenssberg: Absolutely.

The Convener: Is it your view that the recommendation is not just relevant but correct?

Nick Kuenssberg: Yes.

Tavish Scott (Shetland) (LD): My first question relates to your submission, in which you state your concerns about the venture capital community. Could you flesh that out a bit and tell us about the shortfall that your submission defines in broad terms?

Nick Kuenssberg: There is no doubt that the issue is very serious. It is sad that Scottish Equity Partners, which did extremely well, was effectively privatised and has now taken a slightly different view. It played a good role, particularly in second-round and third-round funding for small companies.

However, we must be aware that we are not talking about a Scottish equity capital strike in the sector, because the problem is international. There is not an awful lot that we can do about the situation other than to try to persuade Scottish Enterprise in particular to move a little bit quicker on the fund that it is setting up and putting out to tender for management by a variety of groups. My one concern is that Scottish Enterprise will consider funding—correctly, in its view—sure winners rather than encourage small and exciting ideas. That leads back to our emphasis on partnerships in the various discussions that we have. Partnerships would allow smaller players to work either directly with large customers or, better still, with large international players. They could then become part of the portfolio of products that larger players present to their customer base.

Polly Purvis: On the equity gap issue, we face the immediate problem that, in the restructuring of the industry over the past 18 months, many of the companies that have gone under have been very small. In Scotland, we are in danger of throwing the baby out with the bath water, in terms of innovation and technology, because the standard

forms of venture capital have retreated from the market and there is nothing to fill that gap. We have to move on that quickly. I endorse what Nick Kuenssberg said about the speed of certain institutions.

Tavish Scott: If, as you say, a gap in the market exists, I presume that it is the job of the enterprise agency—in this case, Scottish Enterprise—to fill it. Do I take from what you have said that you have not had enough involvement in the construction of the new fund and therefore in the availability of venture capital from it to meet your sector's demands? Is your concern about as yet unidentified winners in terms of overall industrial strategy?

Polly Purvis: We are concerned that the process is not moving fast enough. Planning has been in place for some time; the process should be delivering now, but it is not.

Nick Kuenssberg: I come at the question from the perspective of one who is involved both with companies that need such equity and with a network of business angels that is trying to get hold of the management of part of the fund. In my view, the process is slow and bureaucratic. That said, I would not like us to be interpreted as being too critical of Scottish Enterprise. As I said, we have a good partnership with Scottish Enterprise. Some good ideas are on the go, and Scottish Enterprise is supportive of many of the initiatives that we have proposed to it. As soon as Scottish Enterprise's budget is approved for next year, we are optimistic that there will be some fairly significant developments that will assist start-up companies in particular, albeit at the margin. However, sometimes the margin makes all the difference between getting there and not.

Tavish Scott: If you have concerns about the process being slow and bureaucratic, it would be helpful if you could flesh them out in a letter to the committee. That would be hugely helpful, because a lot of evidence tends to be anecdotal and some hard evidence would be helpful for members.

I have a final, short question on the further education and higher education sectors, on which the committee has just done a lot of work. Do you believe that the structure of those sectors is delivering enough qualified and skilled men and women into electronics?

Nick Kuenssberg: We have a short-term contradiction. If you had asked that question two years ago, we would have said that there was a severe shortage of such players but, because of the significant down-turn, a lot of good people are available at present. Our concern, which is amplified by our Scottish technology forum discussions, is that we will have a shortage of them in due course.

We would like to leave you with a thought that emerged from a discussion in Aberdeen on Monday night with some of our members. There is an excellent scheme called the teaching company scheme, which implants postgraduate students into companies. The scheme's procedures have been accelerated and are less bureaucratic than they were a couple of years ago. However, there is a general belief that more funding should be made available so that universities could offer to implant even more of their brightest and best young masters and PhD students into companies for one, two or even three-year projects. Unfortunately, the scheme is run by the Department of Trade and Industry, but I am sure that ways and means could be found, which could have quite a significant impact. The beauty of the scheme is that the companies involved are often smaller companies that would not dream of having such people on their staff. They get someone for about £12,000 a year, and also have access to university faculties. In many cases, the individuals stay on in the companies because they have demonstrated that they have a huge amount to contribute. The development of that scheme on a larger scale could, over time, have quite a significant impact at a micro level.

Brian Fitzpatrick: I find your submission helpful, but it raises some questions. It is useful to see the background, and I found the analysis of what is available helpful. However, question marks came out of the top of my head when I read on page 2 about the industry initiative or game plan that you are suggesting the committee should support. Any member of the committee would say that they want renewed vitality in the software industry. We are all conscious of the disproportionate shocks in that industry that we have suffered in Scotland, although we had a disproportionate share of the benefits.

Although we are all happy to sing that tune—or hum along—I am not sure what you are urging us to do. You are asking for initiatives to support start-up businesses and for support for an embryonic Scottish technology forum. That is all well and good, but we are also being asked to support an industry initiative and I still do not know what I am being asked to support.

Nick Kuenssberg: The software game plan is still at an embryonic stage. It is difficult at this stage to spell it all out and say exactly what is going to happen and what funds we need. The lead player in the initiative will, inevitably, be Scottish Enterprise, which is providing a lot of the clout and the back-up for it. After bringing the idea along, we are essentially the junior partner.

Brian Fitzpatrick: Is the technology forum to be a membership organisation or a publicly funded body?

Nick Kuenssberg: The Scottish technology forum will be simply an umbrella organisation to enable the five trade organisations that are the proposed members of it to work together.

Brian Fitzpatrick: So, the funding will come in for projects such as start-up support—

Nick Kuenssberg: And the software game plan, the funding for which will more than likely come through Scottish Enterprise.

Brian Fitzpatrick: Via the minister.

Nick Kuenssberg: Via the minister. However, we hope that the funding will be rather more flexible and speedy than at present. You do not need to be told that Scottish Enterprise is sometimes not the easiest of organisations to deal with.

Brian Fitzpatrick: But it will be public funds. The point that Tavish Scott was making is that, if we can demonstrate where Scottish Enterprise has been unhelpful or where there have been obstacles or barriers to the speed of response, that will be useful—especially if we are asked to corroborate.

Polly Purvis: I support what Nick Kuenssberg said: we are very much at an embryonic stage. We are aiming to develop a strategy that covers all elements of the ICT sector going forward—everything from skills to international promotion. Frankly, Scotland is not on the map as a deliverer of software and ICT services across the world. Most emerging economies now have strategies specifically for that sector, and we are trying to put something in place for Scotland along the same lines. It is too early for us to be able to say specifically that we are after X, Y and Z.

Brian Fitzpatrick: Does the embryo have any kind of knowledge about what is stopping take-up of access to ADSL and the like? I am interested in what you say. I understand why the market in the central London area will support all the coverage figures that your submission cites. However, my constituency has no ADSL coverage despite my encouraging everybody who moves to log on to the British Telecommunications site and—theoretically, at least—register their interest. Is it a chicken-and-egg situation? Is it a question of cost? What is getting in people's way, which is not happening elsewhere?

Nick Kuenssberg: That is the big question. Our view is that it is a chicken-and-egg situation. We believe that once people have broadband, they will fail to understand how they survived without it. It is like the telephone or the fax machine. Risking Alf Young's derisory humour, we believe that it is a significant part of the infrastructure that is necessary for Scotland going forward.

There are two kinds of broadband: ADSL, which is available from BT and others; and the big pipe, which industry needs. The latter is still pretty expensive in Scotland compared with the south. ADSL, which is valid for most small and medium-sized enterprises, is available at a decent price—the minute that people do the sums, they will find that it is cheaper than their ISDN dial-up line, if they use it sensibly.

Brian Fitzpatrick: I noticed in the papers this morning that BT is offering free hook-up until the end of March. Is enough missionary work going on at either the industry level or the enterprise network level?

10:30

Nick Kuenssberg: BT is certainly carrying out a huge amount of missionary work. A difficulty is that people perceive BT to be the only player in town, and they are therefore more reluctant to sign up than they would be if they were aware of other players. Equally, it might have been better if BT had been the only player in town, because some political pressure could then have been applied to it to accelerate development.

As I said in my introductory remarks, provision is patchy across the country. However, it is ridiculous if significant parts of the central belt, as well as rural areas, are not able to hook up. That said, the impact of the young coming out of school and university must have a huge influence. I suspect that within two to three years—certainly, within five years—the scene will be different. However, what will Scotland have lost during that time compared with its competitors? Frankly, Scotland does not look as good as we would like it to at the moment in comparison with competitors.

David Mundell (South of Scotland) (Con): Following on from what Brian Fitzpatrick said, I was struck, both in the ScotlandIS submission and in who we were able to get to give evidence today, by the fact that no objective analysis of what is going on in Scotland is available. As the submission suggests, a lot of seemingly contradictory evidence exists. Is there any objective assessment that is not from stakeholders or from someone doing a survey to get instant media attention for X, Y or Z?

Nick Kuenssberg: I am afraid our submission reflects the difficulties that exist. It is interesting that Aberdeen had an industrial park that had broadband but which was unplugged because there was no demand for broadband. That was not very sensible. A certain organisation has undoubtedly done a terrific job, in particular in the past 12 months—I am referring to the major supplier to the market. However, it will take time. The organisation has set up more than 100

Scottish exchanges to be upgraded; seven have reached their targets and will be upgraded for ADSL; other exchanges are on their way to hitting targets, but it does not sound like that will happen in the short term.

David Mundell: Even where exchanges are enabled, the take-up is something like 3 per cent.

Nick Kuenssberg: I agree that it is lamentable. We all have to work on that. Again, a suggestion is that the large players—local government, health bodies, the utilities and even the larger supermarkets, which have a tremendous spread of suppliers—should be a little more innovative in their approach to ensuring that their suppliers use ADSL. For example, they could give them economic incentives to do so.

If an increase of 0.5 per cent on an invoice to Tesco were allowed for doing everything over the internet, that would be a significant incentive for those who deal with the larger players, but few people offer that. It was sad to read just yesterday about the problems with the initiative that the City of Edinburgh Council took in moving towards becoming an e-city.

David Mundell: I am interested that none of the benefits that were heralded—I was and am very enthusiastic about them—have happened. One of the most pronounced aspects relates to people's ability to work outwith the city environment. At a previous evidence session that I attended although I was not a committee member then, the Bank of Scotland gave evidence and had the usual complaint that it could not attract enough skilled people in Edinburgh, but it was not interested in the suggestion that it could link up with centres in Stranraer, Lerwick, Wick or wherever. It is clear that the Bank of Scotland is not alone, because no major businesses seek to do that.

Polly Purvis: The exception is BT, which has significant call-centre capacity in the Highlands and Islands, as I am sure you know.

David Mundell: The situation is not quite as it is spun. Why has what I described not happened?

Polly Purvis: One problem that several of our members have raised with us is that the level of provision has been significant only in the central belt and up the east coast. Concentration has been placed on putting broadband into some of the business parks, but more than 50 per cent of businesses in Scotland are located outside business parks. In rural economies, the deployment of broadband is a big issue and needs to be accelerated. People cannot take up the benefit that you saw in Virginia of being able to work in rural areas if the broadband infrastructure is not in place.

David Mundell: I see nobody pushing for that to happen. I receive letters all the time from people who live in the middle of nowhere saying, "I want to set up a business here and I cannot get broadband," but nobody from a major corporation says, "I have employment pressures in Edinburgh. If only Stranraer were linked to the network, we could employ people there." We are not receiving that message and that does not seem to be in people's psyches.

Polly Purvis: In the past couple of years, at least two Scottish industries have faced significant difficulties. Financial services, which would have been a growth pull for the work that you talk about, have quietly reduced the number of people whom they recruit. The ICT sector has probably contracted by 50 per cent. In the rural economy, fisheries and agriculture are in decline. I suspect that if the economy were more buoyant, demand would be greater. We are probably working against pent-up demand.

Nick Kuenssberg: One reason why the Clyde financial centre initiative looks good is that a commitment has been made, in partnership with BT, to ensure that the proper facilities exist. I have no doubt that the Royal Banks and Standard Lives would rather establish themselves where they know that those facilities are in place. However, the impact of what has happened economically in the past couple of years has reduced the pressures on such firms to find additional capacity.

David Mundell: Does significant evidence exist about working practices in Germany or Scandinavia, where some statistics suggest high levels of broadband penetration? Is there evidence to show that broadband affects the way in which people work or go about their business?

Polly Purvis: There is evidence from Scandinavia, which we could pull together and give to the committee, if that would be of interest.

David Mundell: It would be, because it is important that we find out whether broadband access has an immediate effect. Otherwise, there will be no momentum to encourage people to take it up.

Nick Kuenssberg: One of the big drivers, particularly in the industrial sector, will be cost. To reduce cost, companies will have to have another look at the way in which they do business. If I may make so bold, that issue will also impact on various sectors within the public sector in Scotland, where there are increasing pressures. To realise that, one must think only about the likelihood of increased contributions to pension funds—I am not sure whether Mr Kerr will make increased funds available to bodies that have to make increased contributions. I am aware of several organisations that have had to take

significant steps to reduce costs. The use of technology will be one of the main factors.

Mr Adam Ingram (South of Scotland) (SNP): From Brian Fitzpatrick's and David Mundell's points, it is clear that the roll-out of broadband has lagged a bit in Scotland. The Executive has recognised that and provided £34 million to accelerate the process, but will that cut the mustard? Will it bring more people online more quickly?

Nick Kuenssberg: Polly Purvis is better able to answer that but, in general, the money will have an impact, although it is not the entire answer. The situation is still patchy. As Polly pointed out, the ATLAS—accessing telecoms links across Scotland—project is centred on business parks and the pathfinder initiatives are excellent but cover only two areas. I suspect that a greater impact will come as a result of the significant initiatives that have been taken by bodies such as Aberdeen and Grampian Chamber of Commerce, which has taken a joint approach with the universities and BT. That initiative looks good, although it is early doors.

Polly Purvis: A couple of relevant points have been made already, such as the need to roll out broadband in rural areas. From comments that we have received from member companies and users, it is clear that there is a plethora of provision in certain sectors. For example, the education sector has superJANET, the national health service has the NHSnet and large corporations have private access. Some of the organisations that use broadband have private or exclusive access. We must try to pull that together and have one supply rather than giving bodies such as the NHS a choice of two supplies. I am not suggesting that there should not be choice in the market, but the present situation dilutes broadband's impact.

Tight schedules have been set for the roll-out of e-government, but e-citizenship is not possible without access to broadband, nor is it possible to take the advantages that are offered by e-learning without broadband. As e-government and e-learning are deployed further, the demand for broadband will be driven up. However, a major initiative is required to push matters forward.

Mr Ingram: I am interested in alternative methods of delivering broadband. I am concerned about pushing ADSL through BT because I have concerns about BT's monopolistic position. Should we not consider methods of delivering broadband that can cover all businesses in Scotland, such as satellite? As far as I am aware, the only target that has been set so far is for 70 per cent coverage by 2007. That is an eternity in e-business terms. What about the 30 per cent of the country that will have no access to broadband?

10:45

Nick Kuenssberg: Wireless and satellite are available today, but the cost of entry is relatively high. For instance, BT can install broadband in my office at home for free, after which I would pay £27 a month for the service; however, the capital costs for installing wireless or satellite are something of the order of £1,000. Although such a barrier is not intolerable, it is significant. Certainly it is sufficient to deter people and defer the benefits that might arise from such connections.

Mr Ingram: My point is that, as far as wholesale and retail are concerned, BT is in a virtually monopolistic position in Scotland. If you like, that is where the public money is being channelled. Should we not consider some alternatives? Perhaps public money should be used to do something about the situation that you have just described.

Nick Kuenssberg: I do not know enough about the economics or the capacity of other players to answer that question. To be frank, I am more concerned with making things happen than with worrying about who will get the benefits.

Mr Ingram: Yes, but with the best will in the world, the current strategy will roll out broadband to only 70 per cent of the population. What about the other 30 per cent? There is a digital divide in geographical terms.

Polly Purvis: If I had to make such choices on limited resources—as we have to—I would put my efforts behind less-advantaged populations. As far as broadband is concerned, that means people who are outside the central belt and the east coast access. Although there is a degree of competition in the market, it could be improved. We must try to utilise the infrastructure that is already in place in certain areas and augment it with other technologies where appropriate. I suspect that, in the long term, the situation will pan out with a mix of technology delivery.

Nick Kuenssberg: Returning to the initial comments, on which there is a measure of agreement, I think that the so-called e-tsar could have a significant impact on this area. That is where the gap is.

The Convener: I seek some clarification. On 2 December 2002, the Scottish Executive said:

“By the end of 2003, we aim to take Scotland from the current ADSL coverage figure of around 40 per cent of the population ... to a level in excess of 70 per cent.”

Are you saying that we are way off that target?

Nick Kuenssberg: I suspect that it is a pretty difficult target to achieve.

The Convener: Where do you reckon we have reached?

Nick Kuenssberg: There are figures all over the place.

The Convener: Give us a ballpark figure.

Nick Kuenssberg: BT says that ADSL is available to 44 per cent of Scottish business.

Marilyn Livingstone (Kirkcaldy) (Lab): I want to examine how you are developing further initiatives. You say that, from April 2003, you and Scottish Enterprise will consider supporting start-ups. Will you flesh that out a little?

Furthermore, with the downturn in the global economy, the majority of companies now have fewer than 20 employees. If you are considering supporting start-ups, what are you doing to encourage growth in those companies? Have you any plans in that respect?

Polly Purvis: Business development and start-up support are specifically within Scottish Enterprise's remit, not ours. Although we work in partnership with Scottish Enterprise, we do not deliver anything.

We tend to give the organisation a prod if we think that it is missing various items. To be fair, Scottish Enterprise already has a significant raft of support for start-ups. However, it is perhaps not best placed to support technology start-ups at the moment, and we are working with it to address such areas. It is still early to give you any specific answers, because we are working up the strategy with Scottish Enterprise. Currently, we are at a research stage and are examining best practice in other parts of the world.

Nick Kuenssberg: I would like to give some confidence to members that we are talking about specifics. One idea is that we should identify the various players and the enterprise network will then subsidise them to join ScotlandIS. That is self-serving, but many small businesses are not aware of the trade association, do not believe that there are benefits to be had from joining it and see joining it as an incremental cost that they cannot afford when they start up. We can make available to them a network of people who have been through similar grief and we have the potential to provide mentoring, training and specialist groups, all of which will help them in the crucial first two years of their existence. That is the period during which they would not normally be members of the trade association.

Marilyn Livingstone: I would like to explore that issue further. Your evidence mentions

“support of start-up businesses in the sector in conjunction with Scottish Enterprise with effect from April 2003”.

Once you have fleshed out your proposals, which are important, I think that the committee would be interested in the details. Could the committee have

information about that support? Initiatives have been mentioned, but the committee would be interested in that support.

Nick Kuenssberg: We would be delighted to provide details, but discussions are currently being held in Atlantic Quay. There will be an appropriate time at which to provide information.

Marilyn Livingstone: Thank you. I want to discuss the Scottish technology forum and pick up on what Tavish Scott said about skills shortages. What role do you see for the Scottish technology forum? Your submission said that it would be a

"valid discussion partner for the Scottish Executive and Scottish Enterprise."

I was involved in a case study with colleagues from the committee in Aberdeen, where there are particular problems with skills shortages. One issue that was raised was the downturn in the number of women who are attracted to technological subjects. Polly Purvis mentioned e-learning. What influence would the Scottish technology forum have? How can we change people's views of engineering and technology subjects? What role do you see the forum playing in the partnership that your submission mentions?

Polly Purvis: I agree that there has been a dramatic downturn in the number of women going into the ICT industries in the past few years, which is a cause for concern. We need to provide education in that area right down through schools. The industry as a whole has been its own worst enemy. Its image is of people playing fairly mindless games on computers—that seems to be what software and computers are all about. Of course, they are about much more than that. We need to address the issue and encourage more women into the industry for a range of reasons.

We also need to encourage more people in general into the industry. A couple of years ago, we were asked to do a presentation to schools careers advisers in the west of Scotland. They said that they had no idea of the range of skills and opportunities in software and ICT. We must work in co-operation with partners to get the message across not only to youngsters but to their teachers and parents about the opportunities that exist in the technology sectors.

Marilyn Livingstone: The committee has heard about examples of best practice—how we take forward those examples together is important.

Polly Purvis: Traditionally, our industry has taken fairly highly skilled graduates. In the run-up to 2000, when there was a major skills issue, the industry learned that people can come into the industry from other areas. They do not have to have computing science degrees or, indeed, degrees. The industry needs to get smarter about

how it deploys people who do not necessarily have first-class degrees in mathematics or computing science.

Marilyn Livingstone: Qualifications are a really important point. Parity of esteem was one of the points that we raised in our lifelong learning inquiry. Quite a bit of work needs to be done on that.

What impetus has there been from the Scottish Executive for exclusively online procurements?

Polly Purvis: I do not have that information. I know that that is part of the roll-out of e-government. I am not up-to-date with where we are on that, but I can check and get back to you.

The Convener: Perhaps that is a good question for the Minister for Enterprise, Transport and Lifelong Learning.

Nick Kuenssberg: I have two thoughts to leave with the committee. One is that we totally support the new intermediate technology institutes, particularly the ICT one. We are now consulting with the team that is behind it. I make the point that we made to the Minister for Enterprise, Transport and Lifelong Learning and Robert Crawford at Scottish Enterprise: it came as something of a surprise to us that the initial announcement was made with no consultation at all with the industry. I was at a meeting with all the members of the Scottish technology forum that day and asked whether they had heard about the ITI, and everyone asked what on earth it was all about. In a country the size of Scotland, that seems to be the wrong approach. That said, we are now in contact. We have a board meeting tonight and Janet Brown is coming along for an update and to discuss how we can help.

The second point is on an area in which the committee can probably do absolutely nothing. The rules of the *Official Journal of the European Communities* are a serious restriction on development, particularly for small companies. Even low-value contracts are subject to the European rules, which brings bureaucratic costs and delays. Local companies can often be taken out. If we could have the limit put up even in certain sectors, or if local participation could be a condition, that would help many of the small and medium-sized enterprises in our sector.

The Convener: On your first point, Janet Brown is coming to our next meeting, so we will raise the issue. I find it surprising and disturbing that the industry was not consulted, as the ITIs were in gestation for a long number of years. On the second point, obviously we have no direct power, but that does not stop us making representations on the issue. If the committee is agreed, I will ask Simon Watkins, the clerk to the committee, and perhaps the clerk to the European Committee,

whether we can make representations to the appropriate authorities to see whether the matter can be addressed.

Brian Fitzpatrick: I would like us to have some discussion before we do that. I do not think that we have addressed the whole problem. I think that there is a route round the OJEC problem to which Mr Kuenssberg referred. We might need to commission a bit of work on that. I seem to recollect that a separate procedure from the OJEC procedure was used for the UK Government's gateway. I cannot put my finger on what that was, but we could perhaps do a bit of work on it before we set hares running.

The Convener: I thank the witnesses very much indeed.

I now welcome the Minister for Enterprise, Transport and Lifelong Learning, Iain Gray, who is accompanied by Robin Naysmith and Sue Kearns. This will be the minister's last appearance in front of the committee before the elections, so I am sure that we will want to make the most of it. I invite him to say a few words and to introduce his team.

11:00

The Minister for Enterprise, Transport and Lifelong Learning (Iain Gray): Sue Kearns and Robin Naysmith are from the enterprise and lifelong learning department. I appreciate the opportunity to give an update on progress since the committee's original inquiry on the impact of the new economy, which was carried out in 2000 and 2001.

There has been substantial progress on all fronts. A key aspect of the Executive's policy on the new economy is that it is genuinely cross cutting, as it touches several, if not all, ministerial and departmental remits. Some of the responses to questions that have been asked have made that clear. The committee might be familiar with the division of responsibilities, but I would like to clarify how we do Government business.

My portfolio covers private sector engagement in the new economy, most notably through e-business. That is about getting the right environment and support to help e-business to flourish. My lifelong learning remit includes e-learning and skills, which are important.

The remit of the Minister for Finance and Public Services covers the public sector's vital role in realising the new economy through modernising government and e-procurement. The role of the Minister for Social Justice includes the need to ensure that the new economy is achieved as inclusively as possible. The Minister for Education and Young People has a particular responsibility for ensuring that schools are geared up to make the most of the new economy.

Although the committee has expressed the view that the Executive's division of responsibilities is potentially confusing, it makes good sense from our point of view. The fact that new economy interests are moving from cross-cutting ministerial committees to mainstream Executive work means that that is how things should be, but that does not mean that we work in silos. Although our delivery is focused, we are aware of the wider contribution that our work makes.

What progress has been made since 2001, when the committee last examined the impact of the new economy? Many Scottish businesses are leading the way. They rank second only to London businesses in the United Kingdom in facilitating internet access and allowing customers to order online.

We, too, are leading the way. We provide a national, common e-procurement platform, which is believed to be a world first. That relates back to a question that was asked at the end of the last evidence session.

Eighty per cent of Executive and local government services are now online in some way. Our 21st century government unit has driven that very hard. Digital inclusiveness has also taken leaps forward. The percentage of households that are online in Scotland has almost doubled in the past two years. It is now close to the UK average of 43 per cent of households. That is partly because of the success of our digital inclusion strategy, which has increased access through schemes such as the public internet access points scheme. Through that, public access in Scotland has grown by more than 50 per cent in the past two years.

The fact that there is a great deal of interest in broadband access is reflected in correspondence. We believe that broadband access is important. That is why, when I met the executive of the UK broadband stakeholder group in Edinburgh last week, it was pleasing that it said that it was extremely impressed by the drive in Scotland to extend access to broadband and to increase take-up. The group recognised our approach as involving a cocktail of measures to address various aspects of the issue, and I learned that it sees us as leading the way on broadband strategy in the UK.

Broadband is not an end in itself in the business world; it is an enabler to allow greater competitiveness. It can certainly help companies to do e-business better.

In 2002, the international benchmarking survey showed that we have now risen to the top tier of 11 benchmark countries on a range of e-business and ICT adoption measures. In the 1990s, we were ranked poor to middling. The same survey

ranked Scotland second overall out of the 12 UK regions in terms of e-business and ICT.

On adoption, the Scottish e-business survey shows that almost 70 per cent of Scottish businesses have internet access. Some of the measures for the Highlands and Islands Enterprise area now exceed the figures for Scotland as a whole. There are success stories to be told about that and about applications such as e-learning. Next week, I will open the second day of an international e-learning conference in Edinburgh, which will showcase what Scotland has to offer.

Since the committee's inquiry into various aspects of the new economy, we have worked hard to intervene where necessary and to provide an environment in which business can take the lead where appropriate. We have had some successes in the interim years.

Miss Goldie: When the committee carried out its inquiry, all members found it difficult to understand the backdrop to the new economy. It was diverse and fragmented, with numerous organisations, players and influences. That was one reason why the committee recommended that there should be a figure—probably a non-political figure—to drive forward the strategy and to be responsible for co-ordinating all the activity. We wanted to ensure that there was a pivotal, identifiable lead figure to take the whole thing forward. The Executive did not adopt that recommendation, but we heard from Mr Kuenssberg earlier this morning that, in his opinion, the lack of a lead figure is still an omission. He thinks that such a strategic presence would be both relevant and correct. Do you have any further comments on that?

Iain Gray: There is a position of leadership in the Executive—I am responsible overall for new economy measures, and John Elvidge is the official who is e-champion in the civil service leadership. I will make two points on that, as I tried to do in my introductory remarks. First, it is important that new technology becomes mainstreamed. New technology is the economy of the future. It is important not to treat it separately, and instead to push it down through each and every aspect of government and the economy. I think that the approach that has been taken has given rise to some success.

Secondly, the new economy is a complex area, with different markets operating in different parts of Scotland, with different requirements and with different priorities. We have to—and will always have to—consider the development of the new economy. We must identify where the market is succeeding, and support and welcome that, and identify where it is failing, and intervene to move it forward. I do not think that the lack of a figure such as you describe has prevented us from doing that.

Miss Goldie: That is interesting. Perversely, and perhaps unintentionally, it illustrates the problem. Earlier this morning, ScotlandIS presented us with two particular pieces of evidence. If I understood correctly, one of the points was that Scotland is not on the map for the delivery of e-services.

The other comment was about the projected provision of ADSL coverage. You have said:

"By the end of 2003, we aim to take Scotland from the current ADSL coverage figure of around 40 per cent of the population ... to a level in excess of 70 per cent".

That is an ambitious target, but opinion seems to diverge on whether that is an accurate assessment of the situation. In evidence earlier this morning, we were given to understand that BT says that ADSL is available at present to about 44 per cent of Scottish businesses. Does not that illustrate the dilemma—people do not know which opinion to give weight to? Is not that a reason for trying to interject an independent presence to take forward what is happening?

Iain Gray: No, the figures are not contradictory in the slightest. The BT figure of 44 per cent is the current access figure. When I inherited responsibility for the sector and took on my present role, I examined the Executive's strategy and my overarching responsibility for the sector. From that review, it was clear that the strategy needed to be revised.

In the original strategy, the Executive said that we expected the market to deliver pervasive broadband access in central Scotland, but we did not expect that to happen in the Highlands and Islands or the south of Scotland. The genesis of the pathfinder public sector aggregation project was because of the need to drive or pull the market into those areas. The Executive always assumed that the market would deliver pervasive broadband access in central Scotland.

In my discussions with the business community, it became clear to me that small businesses were having difficulty in getting access to broadband. From my discussions with suppliers, it also became clear that take-up was very poor in the areas in which they provided access to broadband. Suppliers said that it was difficult for them to continue to make the required capital investment and they said that the market was failing.

That is why I introduced the new initiative under which we invested £24 million specifically to raise access to ADSL from 40 per cent to 70 per cent, which are the figures that Annabel Goldie quoted. We now aim to do so by the end of the 2003-04 financial year. I believe that the measures that have been taken and the investment of resources can shift the figure.

The point was carefully elaborated in the update that we provided on our broadband strategy. It is unfortunate that the committee received evidence this morning from witnesses who were unaware of that update, but that is the background to the relationship between the two figures that Annabel Goldie quoted.

Marilyn Livingstone: We heard this morning that the skills shortages in the new economy have been overtaken by the downturn in the sector, which has eradicated the immediate problem. However, in the long term, the decline in the number of people entering technological areas from school onwards will mean that the skills shortage remains a problem.

I do not want to pre-empt the lifelong learning strategy, which you are to announce shortly, but what is your view of the work that is being undertaken by Future Skills Scotland and Careers Scotland? What is happening to encourage young people, in particular, to enter technological subjects?

Secondly, and just as important, what steps are being taken to ensure that people can see that the new economy is a career not only for people with degrees but for young people and those entering from vocational education? How can we get over the message that a vocational qualification carries as much esteem as a university degree?

Iain Gray: Some of the broader aspects of Marilyn Livingstone's questions pre-empt the lifelong learning strategy. The questions also refer back to much of the evidence that the committee took at the time of its inquiry into lifelong learning. Marilyn Livingstone's final point about parity of esteem goes to the heart of the matter. The committee has made certain suggestions, to which we need to respond in our strategy, so that we at least begin to move along that path, although the issue is difficult.

It is also worth saying that, in general, our economic development strategy is very dependent on ensuring that science and technology are seen as an attractive career path. Of course, ICT skills are part of that. The picture is not all bleak. I know that, at the end of the previous evidence session, there was some discussion of female take-up of skills in the area. If we examine recent figures, we see that female participation in science and technology subjects in further and higher education is still rising—it was 44 per cent in 1996-97, and 48 per cent by 2000-01. That is encouraging, although it is not something to be complacent about. Next week, or perhaps the week after, we will be holding a major conference for educators on how we encourage our young people to pursue a career path in science and technology.

ICT literacy is another important aspect. The point has been made that in the 21st century, whatever career path or working life someone pursues, they are likely to require a degree of literacy in ICT. One of the key policy instruments that we wish to progress to help with that is the reintroduction of individual learning accounts. That will be important. We are still waiting for the Audit Commission report on the first ILA scheme. We have always said that we need to be certain that any new scheme that we launch avoids difficulties, so we cannot make progress on the detail of the second scheme until we have the report. That is what is holding us up.

There is no single answer. We have to consider all the elements of literacy and skills at different levels, up to and including graduate and postgraduate level, and do everything that we can to support all those sectors—it is not an either/or situation; we must consider all of them.

11:15

Marilyn Livingstone: I have a follow-up question on a slightly different tack. We heard that most of the companies are SMEs with fewer than 20 employees. We know that the SME sector has most difficulty in upgrading or renewing skills. What is the Executive's view on that? How effective has support to the sector to upgrade skills been?

Iain Gray: That is at the heart of Future Skills Scotland's initial output—you referred to Future Skills Scotland in your original question. In its labour market survey, it demonstrated that, in Scotland, we appear to have a relatively limited skills shortage problem, in the sense of vacancies that cannot be filled. However, rather more seriously, we have significant skills gaps in that those who are in work are not working as effectively, productively or satisfyingly as they could if they were given the opportunity to raise their skills. The survey also demonstrated the point that you make, which is that such opportunities are more likely to be available with larger employers. The point is important and the lifelong learning strategy must address it. We have to find new measures that will support SMEs in allowing their work forces time off to upskill, for example, because the SME sector is central to the development of the Scottish economy, and the skills of their work forces are central to their development.

Tavish Scott: The minister mentioned intervening in a failing market. ScotlandIS's evidence suggested that a gap is emerging in venture capital funding for the business sector. How does the minister propose to deal with that?

Iain Gray: The equity gap is in two areas. First, there is a gap in the £100,000 to £500,000 investment level—and perhaps up to £1 million. The venture capitalists perhaps feel that the investment is not big enough to become involved. They would still have to do as much work and provide as much support as they do for bigger investments. The second gap is at the lower £10,000 to £50,000 investment level, where some of the more traditional sources of early investment are proving not to be fruitful.

To address that, we have set up first, for the higher level, the Scottish co-investment fund, which was originally called the fund of funds; and secondly, for the £10,000 to £50,000 level, a new business growth fund. Over the next three years, we will invest £20 million in the Scottish co-investment fund and £15 million in the business growth fund. It is important that that is a joint venture with the private sector, hence the name co-investment fund. When we plug equity investment gaps, I have sometimes heard the criticism that business perceives the process to be bureaucratic: it finds it difficult to access the funds and feels that the criteria are perhaps not as flexible as it would like. Therefore, the private sector will lead the initiative, and should bring its efficiency to the process.

Tavish Scott: That is helpful. The line about being too slow and bureaucratic was trotted out this morning, and the committee has asked for evidence to illustrate that. Members will be keen to ask the department to respond.

ScotlandIS said that Scottish Enterprise is not best placed to support technology start-ups—I hope that I quote it correctly. That was mentioned in the context of venture capital funding and small business start-ups. What does the minister think about concerns about Scottish Enterprise's ability to concentrate on that area?

Iain Gray: That is an area of particular interest to Scottish Enterprise, and it gives it special attention. Technology start-ups cover a variety of new businesses. Many are based in the commercialisation of research from our academic institutions. That is another area on which we have to work hard to improve on recent progress. All our universities now have technology transfer operations and offices. Compared with five or 10 years ago, the situation is much better.

That is not to say that we could not improve matters in those areas by perhaps spreading good practice to speed up the negotiations and contractual agreements that are connected to the transfer of intellectual property, for example. We always consider specific examples of a problem with support from the Scottish Enterprise network, but technology start-ups have different roots, and perhaps we need to examine all those and improve their efficiency and effectiveness.

Tavish Scott: I have probably written to the wrong minister about the pathfinder project given your earlier remarks about who has responsibility for it. Will you give the committee an idea of the timetable, particularly in the light of the earlier evidence on how the project is progressing and the need to be proactive? We also heard evidence outlining the pathfinder timetable and specification. I am obviously interested in the Highlands and Islands, but I presume that David Mundell is also interested in the south of Scotland.

Iain Gray: I shall ask Sue Kearns or Robin Naysmith to say more about the detail of our pathfinder timetable. We have asked for expressions of interest, as we are going through an open procurement process. The project has been advertised and a pleasing level of interest has been expressed. Expressions of interest have now been considered, and the next stage is to approach shortlisted candidates and ask them to tender in more detail.

Robin Naysmith (Scottish Executive Enterprise and Lifelong Learning Department): As the minister said, the initial response was encouraging. Colleagues in the department who dealt with the pathfinder project are now analysing the responses with a view to drawing up a shortlist of companies that might be invited to negotiate. That is when the really detailed discussions about the specification will be thoroughly explored. The expectation is that we will be in a position to agree contracts in the summer.

Tavish Scott: What does “the summer” mean, in civil service terms? It does not mean sunshine, anyway.

Iain Gray: It does not include December.

Tavish Scott: I am hugely grateful for that clarification.

The Convener: David, how do you define the summer?

David Mundell: Any day that the sun shines.

Iain, are you the e-minister?

Iain Gray: I am responsible for the new economy, so I suppose that I am. I do not use that title, however.

David Mundell: Under the digital Scotland programme, there was to be an e-minister. It used to be Mr Peacock. It is unclear whether we still have one.

Iain Gray: As I have tried to make clear, we have a minister who is responsible for the policy area—me. However, the policy is a cross-cutting one, so responsibility for some elements of it lies elsewhere. For example, the Minister for Finance and Public Services is responsible for procurement and the Minister for Social Justice is responsible for digital inclusion.

David Mundell: Nevertheless, we must know whether we have an e-minister.

Iain Gray: As we understand it, I am the e-minister, but that is not a title that I tend to use.

David Mundell: What are you doing to co-ordinate the cross-cutting activity? Some of your colleagues have criticised me for asking so many questions about digital issues, but my questioning has revealed that virtually every minister in the Executive answers on an issue. The illuminating thing is not necessarily the answer, but who gives the answer. How are you co-ordinating the efforts?

Iain Gray: I have overall responsibility for co-ordination of the elements of the strategy and colleagues such as Robin Naysmith and Sue Kearns report to me. That is what has allowed us to re-examine the strategy, update on progress and introduce new elements where we felt that things were lacking. That process involves all the ministers with the responsibility that led to the publication of the document and to the decision to invest £24 million in a new element of the strategy. As I said in answer to Miss Goldie's question, the investment decision was made to address a weakness that emerged as a result of the way in which the market had developed over time.

I appreciate that some committee members see what you describe as a weakness; I contend that it is a strength. If you ask questions about the new economy and receive answers from a wide variety of ministers, that surely is an indication that all colleagues are actively engaged in turning Scotland into an excellent example of an e-nation. That appears to me to be most positive—a great strength.

David Mundell: Only if those answers appear to be part of a coherent strategy—and I am afraid that that does not always seem to be the case.

In the committee's new economy report, we identified the importance of government as an actor and not just as a facilitator. I am talking about government in its wider form, be it local government, the health service and so on. What evidence is there of government having taken leadership in driving forward an e-culture and an e-environment?

11:30

Iain Gray: First, by definition, the pathfinder project is about just that. It is about aggregating public sector demand in the education service, in local government and in the health service, to drag the market into those parts of Scotland where, if we did not do that, it would not happen.

Secondly, as I have demonstrated, we have had some success in promoting e-business through our other arms, such as Scottish Enterprise. In

Scotland, more businesses are engaging actively in e-business and allowing their customers to deal with them online than is the case anywhere else in the UK, except London.

There was a question about procurement. As I said in my opening remarks, we are now in a position where we have a single platform for procurement in government. As far as we can find out, that is a world first.

The issues that I have mentioned all seem to me to be examples of the Government taking very seriously, and with some success, a leadership role in ensuring that Scotland benefits from the new economy.

David Mundell: On a scale of one to 10, how far would you say that we were towards having what might be described as e-government?

Iain Gray: It would be foolish to try to answer that, because it would require being able to see into the future. If I could describe to you what the new economy would look like 10 years from now, I would probably have an excellent career as a foresight expert. I do not claim to have that foresight, but I know that we are talking about 80 per cent engagement throughout government in service delivery. That seems pretty significant to me—it may constitute a score of eight out of 10, but I am not sure.

David Mundell: I am interested in what you said about your intervention strategy, which I fully support. My recollection of what preceded it is not the same as your description of it, but perhaps I am mistaken. In the previous period, various parties within the industry and I had called for intervention, seeing clearly that there was no chance that we would get broadband delivered simply by the market, even in central Scotland. The answer from the Executive always used to be that state-aid rules prevented it from making that intervention. I was therefore pleased but surprised by the radical turnaround. What happened?

Iain Gray: We have worked extremely hard to find a way of addressing that element of market failure without falling foul of state-aid requirements. For that reason, the initiative takes a different form in the Highlands and Islands Enterprise area and in the Scottish Enterprise area. In the Highlands and Islands Enterprise area, it is more readily possible to have a direct intervention in the enablement of ADSL exchanges, because there is some state-aid cover that is not available in the rest of Scotland. In the Highlands and Islands Enterprise area, that is how the initiative will proceed, but in the Scottish Enterprise area we will pursue a strategy of open procurement that will be not only supplier neutral but technology neutral. We will set specifications to ensure that whatever technology is used will be

the equivalent to, or better than, ADSL access. We have done that to ensure that we meet state-aid regulations and we have pressed hard to get round what was and is a real complication—I was going to call it a real difficulty, but that would be undiplomatic.

Sue Kearns (Scottish Executive Enterprise and Lifelong Learning Department): I would like to add to the comment that state aid was the reason why we did not intervene before. There were many reasons why we did not intervene before, but one of the main ones was that it was the wrong time to do so in terms of market development. The market was very young in terms of ADSL roll-out when we were developing our original strategy a couple of years ago. Now, it has become clearer how far the ADSL roll-out is likely to take us geographically and in relation to commercial time scales. That is why we now feel that we have to intervene.

David Mundell: Others might argue that, if you had intervened earlier, we would be a lot further down the route now.

Sue Kearns: That would have been the wrong thing to do, as it would have distorted what was a very young market. We decided to go down the pathfinder aggregated procurement route and we still hope to get benefits out of that in terms of wider access. There are several factors that now make the time right for us to intervene.

David Mundell: Can you assure us that the pathfinder project as it is currently constituted and the contracts as awarded will ensure that there will be benefit to the wider public and business community? Some concerns have been expressed that the project has narrowed over the period to focus on Government procurement rather than on the wider benefit that it could bring to the areas in which it operates.

Iain Gray: That is the driver, but the purpose of the project is to bring broadband into areas that it would not reach otherwise. Therefore, the answer to the question is yes.

David Mundell: That is the sort of answer that we like.

Brian Fitzpatrick: I think that I have a Beta format VCR sitting on top of my wardrobe.

Nick Kuenssberg seemed to be expressing concern about the alignment of the telecoms trading exchange with the needs of the industry, subsequent to the offer to market. We all heard the welcome news about Band-X being ahead of schedule. Can you update us on the progress on internet protocol transit prices and take-up? I will park that with you for a minute.

We heard a rather odd suggestion that there had been no industry consultation on the

establishment of the relevant ITIs. Either now or—if you cannot be bothered just now—later, in correspondence, we would welcome clarification on that point.

I very much welcome the steps that you have taken to accelerate broadband access. However, in the context of my own, entirely selfish, constituency interest, may I ask how robust we are on moving from 40 per cent access—which we are at just now—to 70 per cent access by the end of the financial year 2003-04? I find it odd that my constituency is not benefiting from the pathfinder projects, as it sits in the northern suburbs of Glasgow but does not have ADSL coverage, as you will know from a parliamentary question that I lodged—I am sure that we all criticise members unfairly for lodging parliamentary questions—and that you answered.

Iain Gray: There were three parts to your question. The exchange went live on 22 January. It is early doors to answer the question that you pose, although it is a legitimate one. With your forbearance, I would say that the issue is one that the committee or its successor might want to return to later in the year. Like you, I am pleased that the exchange is up and running early. It addresses a different market—the wholesale 2 megabit per second market, rather than the 516 kilobit per second market that we were talking about in the context of ADSL. It is a good illustration of what I tried to say: we are not talking about a single market with a single customer, a single supplier or a single technology. We have to try to intervene where we feel that there has been a failure and the exchange is a good example of such intervention.

On the question of ITIs, I was a little surprised at how strongly the ScotlandIS representatives felt that they had been excluded from the process of development. That is worrying and unfortunate. However, if it is true, it cannot be undone now. I welcome the fact that Nick Kuenssberg said that, in spite of that feeling of exclusion, ScotlandIS believes that the ITIs are an important development. I welcome even more the fact that the lack of contact with the industry is now being addressed. Contact with the industry is central to the way in which the ITIs will work, as they are essentially industry driven. They are designed for a different kind of market failure, as a proxy for the poor level of research and development undertaken in the private sector in Scotland. It is, therefore, crucial that they are driven by the industry. I have concerns about what he said about the past, but I am comforted about the present.

I have forgotten the third question.

The Convener: We all have.

Brian Fitzpatrick: I will never forget Strathkelvin and Bearsden and the people who put me here. I asked about the 70 per cent target.

Iain Gray: Clearly we regard that as achievable. We do so partly because of the local circumstances that you described. Because the initiative is aimed at central Scotland, it has the potential to reach a large proportion of the population relatively quickly. Achieving access to broadband for 70 per cent of the population is practical. The project will probably target not those exchanges where demand is likely to trigger enablement, but the level down from that—those exchanges where there is interest and a market that has not been tapped, but where that market may not be sufficient to trigger enablement. However, as I indicated, the project will be put out to tender and different suggestions will be made.

Brian Fitzpatrick: So Bearsden should accommodate itself and—

Iain Gray: I do not know whether Bearsden falls into the category that I have described. I hesitate to make a judgment on that.

The Convener: I remind members that they are here to serve on the committee, not to promote constituency interests.

Brian Fitzpatrick: I am always here on behalf of my constituency.

Mr Ingram: There appear to be two problems, which are probably linked. The first is assuring access to broadband. The second is assuring widespread take-up of broadband. Why have you not set a target date for all businesses in Scotland to have access to broadband?

Iain Gray: We have set a number of targets that take us towards pervasive coverage. Although we have not set the target to which you refer, all the other targets that we have set move us towards it. In any strategy, one can choose to set particular targets. However, the target of 70 per cent access will be important for small businesses, as ATLAS will be usual way in which they access broadband. Others will benefit from the second stage of ATLAS, which is aimed at providing competitive connectivity in business parks. We are moving towards the objective of ensuring that all businesses in Scotland have access to broadband, even if we do not have a target date for that.

You make the important point that there are two sides to the issue: access and take-up. The new initiative that we have launched is primarily about improving access. However, some of the £24 million will be spent on measures to improve take-up. The point that you make is recognised in the new aspect of the strategy.

Scottish Enterprise is focusing on encouraging business to take up and become involved in e-

business. The figures show that it has been successful in doing that. We are moving in the right direction.

Mr Ingram: The point of having a target date for all businesses is that, as time passes and broadband becomes available to an increasing number of businesses, those that are left in the cold will be increasingly disadvantaged. There is a potential and actual digital divide, based on the geography of Scotland. How much of the £24 million that you are bringing to bear has been allocated to finding a solution to the problem of access for the 30 per cent of the population that is not included in the current targets?

11:45

Iain Gray: The £24 million is geared towards that 70 per cent population coverage. It is likely that much of the remaining 30 per cent of the population is, as it were, geographically disadvantaged in terms of access. As we move towards more pervasive access, we have to think about other solutions to the problems of those areas of Scotland that are left without access. That is not to say that we should wait until the end of the next financial year before seeing who is left. In the meantime, we are pursuing pilots and trials of alternative technologies that will perhaps give us that final reach, such as satellite connection and power line connection, which is a less well-known technology.

The jury is out as to the efficacy of some of those technologies. For example, I visited a long-established travel agent in Hawick, who has a small room at the back of the premises containing a set-up that deals with reservations from the United States for hotel accommodation in London and Europe. The travel agent said that broadband access would allow him to work more effectively, but that he did not have access to it. When I asked whether he had been involved in the satellite connection trials, he said that, on examination, it seemed that the technology in that would slow down the operation. We have to do more work on finding ways in which the needs of those geographically harder-to-reach parts of Scotland can be addressed.

At the risk of sounding too much like Miss Goldie, I must say that, to a degree, businesses bear some responsibility. If a failure to get involved in e-business is the result of, essentially, bad business decisions, consequences will flow from that. That is inevitable. We can encourage, cajole and provide examples, but some businesses might still not see the advantages of e-business and the market might punish them for that in the long run.

Mr Ingram: With regard to the 30 per cent of the population that you mentioned, it is clear that the

technological issues need to be sorted out. When the solutions are found, do you envisage that there will be some sort of subsidy to ensure that those solutions will be implemented?

Are you concerned that you have to intervene in the central belt of Scotland to provide access to broadband? Is that a function of the monopolistic position of BT? What can we do to improve competition?

Iain Gray: Will there need to be subsidies? Yes, and there are already such subsidies. The satellite trials and power line trials are, essentially, products of public intervention. Those who submit pathfinder tenders are requested to consider the possibility of providing cable connections to the northern isles, which would also be a public subsidy. I have tried to demonstrate that our broadband strategy is dynamic and will develop over time. That is right and proper.

Should we worry terribly that the market is failing in central Scotland? My priority is to recognise that that is happening and to intervene. Part of the explanation relates to market conditions in the telecommunications industry over the past two years, which were not foreseen when the original strategy was developed. Is the situation a result of a monopolistic provider? Probably not, in the sense that there is competition in provision in large parts of central Scotland. However, that does not necessarily mean that there are no concerns about broadband access there.

Are we working to increase competition? Yes, we are. The first phase of project ATLAS is about competition and backhaul connection through the exchange. As planned, the second phase is about competition in the provision of access in business parks where there might be only one supplier at the moment.

Mr Kenneth Macintosh (Eastwood) (Lab): I want to continue with Adam Ingram's line of questioning about how we are increasing competitiveness. You have talked about the measures that we are taking to increase competitiveness, particularly with businesses.

Are we having any success? The Scottish Parliament information centre has produced a paper that shows the expansion in the percentage of homes with internet access by net household income. The paper shows that wealthier homes are taking full advantage of the opportunities that are available. Obviously, poorer homes are not able to do that. What success are we having in trying to tackle the increasing digital divide? Are we having any success in increasing competition and expanding uptake, and in driving down prices to make broadband more affordable?

About a year ago, there was a pilot in which some communities—one of them was an island

community—were given free terminals and free access. The project was very small, but it attracted a lot of interest from people in my area who were asking why they could not have access to it. Is there any up-to-date information on that project? Are there lessons to be learned about whether it will be spread beyond the communities that currently benefit from it?

I would also like an update on the progress of the people's network, which has been successful in my area in bringing free computer access to many people. I am not sure whether that comes under your remit. Some of the libraries in my area have talked about a doubling of the number of customers visiting the library to use the computers.

Iain Gray: Are we making as much progress on digital inclusion as we would like to? I guess that we are probably not, because the Scottish household survey clearly shows a digital divide. I think that those are the figures that Kenny Macintosh has in mind.

Mr Macintosh: Yes, they are.

Iain Gray: Are we trying to do something about it? Yes, we are. The digital inclusion strategy has several elements, one of which Kenny Macintosh referred to—the digital communities in Argyll and Bellsmuir in Dumbarton. Those are experiments, in the sense that they take a limited community and provide everyone with internet access in the home.

The project has been rolled out in those two communities and it will be evaluated. The transformation that has taken place in those communities remains to be seen. I have heard some anecdotal examples of the use that has been made of the project, particularly in the islands, where it has been used to create more of a sense of community by linking together the islands of Argyll. However, the evaluation still has some way to go.

The other side of digital inclusion is that we have a target that no one in a town should be more than a mile from public access to the internet. In rural Scotland, no one should be more than five miles from such access. A large number of public information access points have been rolled out and we will achieve that target soon. Some access points are in curious places. I have been to one in a church and there are other such examples; that is better than having access points in bars and dance halls, which is what we used to talk about.

On top of that, and importantly, we now have 390 accredited learndirect Scotland centres, all of which are equipped with personal computers and internet access, and tutors who can train in those skills. Many people are taking the European computer driving licence at those centres.

I do not think that I have any figures on libraries, but we can find out whether there are any. I know that in my constituency and elsewhere, 550 libraries offer free internet access. One of the first engagements that I undertook as Minister for Enterprise, Transport and Lifelong Learning was to present learndirect Scotland accreditation plaques to 12 libraries in Glasgow. I believe that learndirect Scotland wants me to present another 15 of those plaques. There have been similar projects in Edinburgh and other local authority areas.

Those two issues—learndirect Scotland centres and libraries—are coming together. People are visiting libraries not only because they can access ICT there; they are also getting access to training and support, which, over time, will have a significant effect on increasing ICT literacy in the way that I talked about in response to Marilyn Livingstone. A lot is happening to address the digital divide, but the divide still exists. Therefore, as with other aspects of the strategy, we need to stay on the case and see whether there are other things that we ought to be doing.

Mr Macintosh: I have one tiny supplementary question, which picks up on something that the minister said earlier. The question is similar to Brian Fitzpatrick's question about the roll-out of ADSL. In my area, many people work from home. There are not so many businesses, so we are unable to get business parks linked up. Many people who work from home running small businesses and enterprises have been unable to trigger the BT mechanism. Will some of the £24 million that you talked about be targeted to those areas?

Iain Gray: Those are the kind of areas that are likely to be targeted.

Mr Macintosh: So in areas like Barrhead, for example, where there might be difficulty in triggering the 400-user threshold, we might be able to apply the criteria?

Iain Gray: Areas in which there is demonstrated demand, but which will not be able to reach the trigger, are likely to be targeted.

The Convener: ScotlandIS, in its written submission, mentioned the software game plan as part of a major industry initiative. That received some publicity a few weeks ago, when Hugh Aitken published some of the detail in a national Sunday newspaper. From the Executive's point of view, where are you at with the software game plan? In principle, does the Executive support it?

Iain Gray: The Hugh Aitken Sunday newspaper stuff was about tartan stack.

The Convener: Which we are told is a subset of, or fits in with, the game plan.

Iain Gray: Some senior officials in the enterprise and lifelong learning department have met Hugh

Aitken to discuss the ideas. We were aware of them before the article in the Sunday newspaper. I have a meeting with Hugh Aitken in my diary—I think that it is within the next week or two—to discuss with him how we can work with the idea in order to support it.

The Convener: Has the wider game plan that ScotlandIS referred to come to the Executive yet?

Iain Gray: I am not sure whether it has done so directly. We work pretty closely with ScotlandIS. Perhaps I can pursue that and get back to you.

The Convener: Part of the driving force behind the creation of the Scottish technology forum is to get a more co-ordinated strategy within the private sector. However, in his evidence this morning, Nick Kuenssberg was, like Hugh Aitken, critical of the manufacturing steering group in terms of its remit, what he believes is the short time frame in which it is working, and the politics of it. Can you say a word or two about the future of the manufacturing steering group?

Iain Gray: The future is straightforward. The manufacturing steering group has been working for a number of years now. I did not set up the group; it already existed. The group produced an initial action plan that contained more than 50 recommendations to support manufacturing in Scotland, and almost all those recommendations have been implemented. I took the opportunity simply to reconvene that existing group at a time of some particularly poor gross domestic product figures, in order to ask the group to examine its strategy, our implementation of it, and what further things we could do.

I made a couple of important changes to the group. First, traditionally the group was chaired by the minister, but I asked Dr Chris Masters to chair it for this part of its work. I wanted the group to be free of any influence that I might bring to bear, so that it could range as widely as it wanted. Secondly, I asked Chris Masters to ensure that the group's methodology reached out and spoke to those who were involved in conducting business in the manufacturing sector in Scotland. My understanding is that the group has pursued a methodology to do that.

Hugh Aitken's criticism was that a number of members of the group had used the opportunity to rehash old agendas and were not willing to look beyond that, but that is between him and the other members of the group. I have confidence in Chris Masters. My understanding is that the group will report to me towards the end of this month. I await that report.

The Convener: I presume that the report will be published.

Iain Gray: Yes.

The Convener: That is fine. Thank you. We are running slightly late, and I hope that we have not held you up for anything.

I suggest that we take a five-minute comfort break before we move to item 3, because it is a fairly substantial item.

12:01

Meeting suspended.

12:09

On resuming—

Social Economy

The Convener: I welcome Norman Drummond from Columba 1400. This agenda item arises from a suggestion from Wendy Alexander, who, I believe, visited Columba 1400 before Christmas and was enthusiastic about its work. The discussion is also a prelude to the possibility of a successor committee doing a wider inquiry into the role of the social economy in Scotland. I was corrected last night at a meeting, when somebody said that I should use the term “community enterprise”, not “social economy”. However, we will not get too obsessed with titles.

I ask Norman Drummond to introduce his team and to say a few words to supplement the excellent written evidence with which he has supplied us.

Norman Drummond (Columba 1400): It is a deep honour for a young not-for-profit organisation such as Columba 1400 to be invited to give evidence to the committee and we appreciate it very much. It is my pleasure to introduce Ian Chisholm, who is our chief executive and who is from Canada and Skye, and Stevie Seigerson, who is our senior programme director and who is from Glasgow and Skye. I presume that our paper has been distributed and read, so I will address three questions that might help to fill out the rather concise material in the paper.

First, what is Columba 1400? The organisation has its roots in the early 1970s, when I was a young parish minister in Easterhouse in Glasgow and in West Pilton in Edinburgh. In those places, I saw a great loss of potential because young people of various ages turned their backs, or had their backs turned, and were being increasingly disadvantaged. That experience lived with me throughout various phases of my life and, as we have only one path in this earthly pilgrimage, I wanted to attack the issue before I depart.

In 1996, as the parish minister of Kilmuir and Stenscholl on the Isle of Skye, I noticed that there is as much deprivation in rural environments as there is in urban ones. With the help of Highlands and Islands Enterprise and others, we set out to build the first prototype centre of its kind—a purpose-built community centre with a leadership academy alongside it to address the tough realities and the needs of young people with standing starts.

Why are we called Columba 1400? We started fundraising on 9 June 1997, which was St

Columba's day, and which was 1,400 years after Columba's death. We feel that the name brings together the best of the old and the best of the new. As our paper points out, the centre was officially opened on 3 June 2000.

Secondly, what do we do? A large number of organisations use the community centre, but, in addition to our community responsibilities, we run two courses. The first is the what other way—WOW—programme, which we piloted in Easterhouse in Glasgow and which is now rolled out in other parts of Scotland and in Bromley by Bow and Camberwell in London. The course begins with a month of preparation in the community, which is followed by an eight to 10-day stay at the leadership academy at our centre on the island. Thereafter, there is a period of three to six months of mentoring and monitoring. We believe that our success comes from the continuity of having a preparatory period and mentoring and monitoring thereafter. Stevie Seigerson is the youth development officer for Glasgow and particularly the greater Easterhouse area. He has now joined us as a senior programme director and is an expert in the WOW programme.

Our second course is the Gemini programme, which involves eight to 10 young managers or apprentices and eight to 10 young people who have a standing start because of homelessness and poverty. The search and the sense of common humanity have produced incredible results. Lloyds TSB, HBOS and Rolls-Royce have joined us in a new way of looking at things. Ian Chisholm, who is the project director of the Gemini project, came to us from the American Management Association, where he ran the young enterprise scheme, which involved taking the children of boardroom personalities into the tough realities and mean streets of the United States, including the Bronx, Harlem, Philadelphia and Oakland. We are glad that Ian Chisholm has brought that special scheme to Scotland through Columba 1400.

Thirdly, how are we doing? A number of statistics are included in the papers that members have before them. Perhaps the most relevant and up-to-date statistic is that up until 2000, when we started working in the greater Easterhouse area, 53 per cent of those who were on training courses made their way into a place at work or at college. Since 2000, that percentage has risen to 86 per cent for the youngsters—of all ages, it has to be said—who have been with us. When the First Minister visited in August, along with Tom Farmer, I remember that Tom Farmer said to me, "Where do you go from here?" The issue was one of scalability. I said to Tom that, if we were the Kwik-Fit of the social sector, we would be wanting to look for venture capital to roll out in other places. Our hope and intention is to establish similar

academies—not even to build centres but to have academies—in the north-east of Scotland, the Borders and the south-west of Scotland, where our initiative has already begun.

12:15

On the social economy, if I am still allowed to use that term—like the convener, I have been corrected for doing so—it is important to note that in a small organisation such as Columba 1400, in a remote rural area, it has been possible to translate an idea on a piece of paper into a reality. Within three years, the organisation is employing 15 people and is one of the largest employers on the Isle of Skye. All that has been done according to proven and tried and tested business practice.

I will end my introductory remarks with three quotations. One is from history, one is from modern Scotland and the third is from the international world. The quotation from history concerns John Buchan, who, when writing of the Duke of Montrose, said that the duke felt:

"Our task is not to put the greatness back into humanity, but to elicit it, for the greatness is there already."

That is the founding doctrine, if you like, of Columba 1400. Our task is not to give post-dated care and to throw lashings of money at people after problems have happened, but to start with the inner heart and soul of an individual child. Our task is therefore not to put greatness back into humanity, but to bring it out; we believe that it is essentially there already.

The second quotation comes from modern Scotland, from Sir Peter Burt, who was one of our leading corporate sponsors when he was governor of the Bank of Scotland. He wrote recently:

"Rarely has bread cast upon the waters brought so rich and ready a return."

The third quotation comes from the international world—increasingly, I am invited overseas to speak about Columba 1400 and we are due to begin in Australia, New Zealand and, all being well, the United States by the end of the year. At a conference in America, the Hungarian ambassador to the United States came up to me after my keynote speech and said, "If you can keep your nerve and your confidence, this could be another of Scotland's great gifts to the world."

The world apart, we are here before the committee today—and privileged to be here—because we wish to contribute not only to the world but to modern Scotland.

The Convener: Thank you very much. We are privileged to have you here.

We have got the statistics. From your written evidence and your introductory comments, it is

clear that this is a highly desirable project—if I can call it that. Perhaps I should ask whether you take politicians into the leadership academy for training, if they demonstrate potential.

What can the Scottish Parliament and Executive do to further empower you and help you to expand and develop the idea in Scotland and internationally? How can we help?

Norman Drummond: First, it would be great if you could bring the committee to see what is going on. Members can read submissions and we have a well-produced video or CD-ROM, copies of which are available for all the members of the committee to take away with them. However, the reality of seeing the young people who come from standing starts—from homelessness and poverty—has been the factor that has turned people round to realising that something special is happening. One of our sayings is that the little that we communicate simply to another person—another person's child—can find a resonance in their soul that may last their whole life long.

In the political world, you obviously deal with policies and do your best to push back process and bureaucracy; however, we have something that works on the ground. In that regard—and subject to the election—a visit from the committee would be most welcome and we would endeavour to provide an occasion that would allow members to see a leadership academy in action. For example, when the First Minister visited us with Sir Tom Farmer and Sir Peter Burt, we had an academy that was made up of people from the Archbishop Michael Ramsey Technology College in Camberwell. I think that the First Minister learned quite a lot from the people from that very tough area of south-east London, which has a 7 per cent white population.

Columba 1400 can help Scotland to reach some multicultural and multiracial understanding and ensure that we are not locked in our boxes of denomination, let alone locked in our faith or no-faith perspectives. We should be able to celebrate other cultures. If the committee visited the project, it would produce a whole host of ideas on which we would be delighted to work in partnership with the Scottish Parliament and Scottish Executive.

The Convener: My view is that the committee or the successor committee should put a visit to Columba 1400 on its agenda. However, that would have to happen after the election and would depend on whether our committee was split between enterprise and lifelong learning. I do not think that any members would disagree in principle with that suggestion.

Norman Drummond: The First Minister said that, subject to the election, he thought that a Gemini-type project between members of the

Cabinet and eight to 10 young people from standing starts would be an interesting experience.

Miss Goldie: Given the sterile territory that the committee sometimes requires to travel over, this project was like an oasis.

However, I want to be tedious and elicit a few facts—I apologise if I have missed them in your submission. What is the average length of a course?

Stevie Seigerson (Columba 1400): The leadership academy residential programme, which takes place on Skye, lasts eight days. The WOW programme is much broader and has a kind of before and an after attached to it.

Miss Goldie: That is helpful.

As far as the Gemini project is concerned, in which eight young people mirror eight business leaders, what happens to the eight who come from an economically challenged area? Has Gemini existed for long enough to allow you to track them and assess what happens to them?

Stevie Seigerson: The WOW programme partly prepares some young people who might be interested to move on to a second level, which is the Gemini project. We then undertake some non-directional coaching with those young people. For example, in the Easterhouse model, I would have some sessions with the young people in Easterhouse to get them ready, while another member of staff would get the private sector group ready. Both groups would then meet. The programme is not based on the notion that the person from the private sector acts as a mentor and is thrown together with a wee poor person from Easterhouse. Instead, two individuals coach each other using a non-directional coaching model. It is a wee bit different in that respect.

Miss Goldie: Has Gemini got under way or is it still in the embryonic stage?

Ian Chisholm (Columba 1400): We have worked with Rolls-Royce and Lloyds TSB. Crisply put, the philosophy behind the Gemini project is that there are some tough situations and socioeconomic realities out there. We have recently had good discussions with a lot of organisations that work with young carers, which is another tough reality, no matter which social background a young person comes from.

A person who is used to surviving day after day in a tough reality—I will call it that, because I am describing situational, economic, social and geographic realities—naturally has the characteristics that we want in people in the Scottish Parliament, our board rooms and our council chambers. Such people can make tough decisions as quickly as possible, solve problems,

resolve intricate conflicts and understand the value of a code of ethics.

I will not tell too many anecdotes, but a lovely one highlights the kind of coaching that we ask such people to undertake. After day 2 of the residential part of the Gemini project, the groups were calling themselves the Easties and the Lloydies—the Lloydies were the corporate fast-track people from Lloyds TSB. In that way, there was a level playing field, if that makes sense. The groups coached each other: one group had street-savvy leadership, while the other had the polished and recognised corporate leadership potential that is desperate for the kind of nitty-gritty presence that brings out trust and commitment in people. After all, we can sense whether people can actually get things done. The fact that such a quality is coming in spades out of areas such as Easterhouse, Govan and Craigmillar is exactly why we like to put such groups together.

The philosophy that tough realities create leadership potential that has actual business value for corporate fast tracks is a good one. We would not wish tough realities on anybody, but if talent comes out of tough realities—that is the idea that came from the US and Canada—we are on to something. That takes it away from being just a good thing that Norman Drummond and his gang are doing up on Skye to something that is actually very smart. That is when the social economy has to click in and then it lasts. If it is a smart thing to do, an initiative such as this one lasts within the social economy. If it is just a good thing to do, funding patterns change and it does not last.

Miss Goldie: Perhaps I should declare an interest as a director of the Prince's Scottish Youth Business Trust. Mr Drummond, to what extent do you liaise with other groups in Scotland that are trying to deal with disadvantaged areas and to enable young people from those areas to make a step forward?

Norman Drummond: Greatly. In our submission, we refer to our partnerships. We would not have been able to achieve what we have achieved in such a short period unless we had had an exemplary record of partnerships.

Competition for funding is one of the sad things about the social economy and the charitable sector. Four charities start up every week in Scotland. I am a trustee of the Lloyds TSB Foundation for Scotland, and the material that comes before us shows that there is an incredible atmosphere of competition, with people applying for the same pot of gold. In our partnerships with the Big Issue in Scotland Ltd, Youth at Risk and the Prince's Scottish Youth Business Trust, we have sought to begin conversations about funding in an adult way. We have endeavoured to ensure that there is—in your parliamentary language—

joined-up thinking for a smart, successful Scotland.

The talent out there is considerable. I know from my other working responsibilities how many people are tired of the corporate world and are looking for something else in their lives. I would not say that it is uniquely Scottish, but there is an attitude that is part and parcel of the way in which you and I were reared in a certain part of Scotland—if I have a job, I look after it; if I have a family, I look after it. There is then a third dimension: what else am I doing with my life? We find that Columba 1400, in partnership with the Prince's Scottish Youth Business Trust, or whatever, is getting into the corporate world in an incredible way. People are saying, "Yes. I feel all the better for having given more of my life not just to my top-down, hierarchical corporate structure, which is not good for my heart and soul. I want to feed my heart and soul by doing something relevant for someone else." In that regard, partnership is everything.

Brian Fitzpatrick: I echo what Annabel Goldie said. It is a shame that we have reached the oasis so late on in the meeting. Tavish Scott, who has had to leave, was very interested in the submission that we received from Columba 1400. In the event that we are elected to serve again, and in the event that the committee survives, we will certainly be willing to take you up on your offer.

I cannot say how excited I am about the submission that we have received. I am still not quite sure what we were being asked to support by the previous witnesses, but I know what I am being asked to support here. As someone who grew up in both Argyll and Priesthill, in Glasgow, I share Norman Drummond's interests and insights. What we see here is a useful antidote to the Scottish cringe, which we have repatriated since devolution. Managing not to do that will be very important.

I like your reference to tough realities, and I would like to pursue that issue a wee bit. In my own life, my wider family, my faith and my teachers helped me to get through in quite a tough working-class community. My realities were probably less tough than others. Life is tough for kids in Easterhouse, which we describe as a working-class community, but which has little work or community. We spend much time discussing our concerns about employability and getting people to pre-modern apprenticeship levels, but what people need is a bit of stability, so that they are given a platform on which to build a life for themselves.

I echo the convener's point. Aside from writing a cheque or encouraging the Executive to do so, what would it be good for government at all levels

to do to support people in having confidence, purpose and focus? Will you tell us in detail about what you do? You talked about scalability. Can we easily roll out and translate your approach throughout Scotland?

12:30

Stevie Seigerson: In the initial Easterhouse model, when I developed the "what other way" programme, we had to recognise existing networks. The funding streams to sponsor the young people underlined the reality change that was needed for some of those young people. The WOW programme pilot was funded by Europe and was about employment and training. Subsequently, we had clients who were funded by the new futures fund, so stabilising their chaotic lives was the beginning of the process for them. It was more challenging to move those clients into employment and training than it was to do the same with the people who had funding from Europe. A range of clients is involved.

The only way to make things work is to recognise what is happening in the community—the community could be greater Easterhouse, Govan, Skye or anywhere. We must acknowledge what is in place, which goes back to partnership. Partnership enhances what other people are asking for; people measure what they need to measure according to the sources of the funding streams. Does that answer your question?

Brian Fitzpatrick: I think so. Are you urging us to provide support, or will you do your scalability exercise then ask the Executive whether it is interested and whether it will lend you support?

Norman Drummond: I would greatly value it if the Scottish Executive or Scottish Parliament challenged a series of pilots because, as Ms Goldie said, pilots are everything in terms of partnership. The feeling is that we should check out what works and where and how it works; otherwise, it would be wrong to move into the four other areas. I am sorry that Tavish Scott is not present, because I would have mentioned the northern isles in my opening remarks as well; I am sure that he would bid for such an initiative.

We needed a citadel type of place on Skye to make people realise what was possible. Those who are involved in the aspect of education in question have no doubts about the system, provided that follow-up mentoring and monitoring are conducted. Schemes such as Columba 1400 and others have been criticised; it has been said that they give people nice holidays then leave them to cope without support. However, according to the Columban code of values, which is in the committee's papers, and according to Columba's challenge, we have two and a half years of people

who consider themselves Columbans and who are doing such following up.

The name does not have to be Columba 1400; it could relate to somewhere in the north-east. For instance, in New Zealand and Australia, the names would not necessarily be Columba 1400 Australia or Columba 1400 New Zealand. New Zealanders are keen to have a Maori feel—an aboriginal feel—to bring people together.

We are working in south-west Scotland. A challenge might be for Columba 1400 to run, with suitable monitoring, three pilot academies throughout Scotland in the first year. I know that the University of Paisley is keen to be involved and on Monday I met Professor Alex MacLennan, who is the director of lifelong learning there. I envisage such work infiltrating and invigorating Scotland's education about values. Brian Fitzpatrick talked about his faith, family and schooling. It is one-on-one contact with another person that really inspires people, rather than the pedagogical didactic approach of saying, "Here is knowledge, come and get it." When people work alongside one another, in one-on-one situations, the soul is inspired. We find that people become interested and that they get things done.

Bearing in mind the fragmentation of so much of Scottish family life, if we could inculcate the Columban values of awareness, focus, creativity, integrity and perseverance—all leading to service—we might well give the children, such as the Rolls Royce apprentices, a code that they can take back into their appraisal system. I spoke to the First Minister about that during his informal visit. We should have pilot programmes throughout Scotland but we should perhaps also set up a study to see whether the values can be inculcated in our education system.

Brian Fitzpatrick: I am very pleased to hear all that. Perhaps Ian Chisholm could answer this. I am not against altruism, but I like the fact that a kind of rebuff to do-goodery is the driving motive. Despite the fact that Lloyds TSB included a waiver in its comments, what it said is curious in that we do not often hear people who have been on a course stress that participants must do it again. Companies obviously gain benefit from it, rather than merely ticking their corporate social responsibility box and saying that they have done a bit of do-goodery on Skye. Have you had feedback on what were the advantages for Lloyds TSB, Rolls Royce or whatever that encouraged them to get involved?

Ian Chisholm: The experience is of a practical and measurable human resources value for people who are very talented in terms of their IQ. Susan Rice, the chief executive of Lloyds TSB Scotland is a champion for corporate social responsibility in Scotland. She demands that such

involvement be smart business and not just do-goodery. Her HR personnel say that the project is an assault course of emotional intelligence. People gain from it an ability to connect with people who would otherwise just be strangers on the bus, if indeed they ever took the bus. The project is about the ability to connect with people, which is valuable not just to business but to community development, to Government and to families.

The project has been a challenge, which is why we have adopted symbols for the six core principles that we use as the scaffolding for all our courses. It is no surprise that we developed symbols, because there are a lot of heavy-duty learning differences among the young people who come to Skye. Some would be threatened by having six words in front of them, but they think that there is something cool and enticing about symbols.

Members can imagine the challenge of finding a lingo that links eight rough-and-ready and possibly long-term unemployed people or single mums from Easterhouse with eight people whom I do not think it would be inaccurate to call the “ego crew”—people who have been chosen to run a bank in 10 years’ time. The words that come up are the words that I think are important. Words such as “dignity” are used and questions are asked such as, “What kind of a person do you want to be to your kids?” The language is real; it is not leadership or business lingo and it is certainly not politically correct. There is a real language out there that both sets of people can use. By using that new language, people can consider things differently and they are able to develop a better attitude and perspective.

We are very much at the end of changing attitudes in both the groups that I mentioned, so that people can learn better or in a way that is more congruent, given what has to be done. The attitude comes first—if we open the palette we can then paint. We have often talked about the difference between painting a fence on which the paint will not stick and what Columba 1400 does in combination with its partners.

I reiterate what Stevie Seigerson said. We have sought to amplify the heroic efforts that are already being made in communities throughout Scotland. Sometimes people have been fighting on the front line in social and community development for so long that they are exhausted. They need something that re-energises not only their clients, but their staff and organisations. We have pulled in Stevie Seigerson to be part of the core Columba 1400 team so that we can do that in more communities and give people something that enhances what they already do.

Brian Fitzpatrick: Anything that can get 86 per cent of people into some form of employment or

education deserves every bit of support and every push that we can give.

Ian Chisholm: We are very much the primer on the fence that makes the paint stick. Learndirect Scotland is a partner that has just come on board, and—

Brian Fitzpatrick: Are those six symbols that we can see—

The Convener: I need to move on and give other folk a chance. I call Marilyn Livingstone.

Marilyn Livingstone: I found Norman Drummond’s presentation to be very interesting, to say the least. Like other members, I am sorry that we cannot fit in a visit before the election, because that would have been very interesting.

I have been on the committee since day 1 and, in our various discussions, I have been committed to ascertaining how we can involve the whole community in economic development. It is not possible to separate economic development from social development. In my previous life I was committed to helping people who felt disaffected with learning or work, or who were simply disaffected with being part of their communities. Last night I was in the small mining village of West Wemyss in Fife—I represent a Fife constituency—where a very innovative project is run through the social economy, which I was very pleased to see. A lot of good work is going on.

If an initiative is working successfully for the people who we want to reach their full potential, it is important to ask: How can we ensure that it is sustainable and that that sustainability can be rolled out? Although we are not able to undertake a visit, it would be helpful not just for the committee, but for our communities, to explore the matter further.

I would also like to know more about the expansion initiatives that you mentioned and I would like more information about your outreach programme and your “Scotland values education” initiative. Those initiatives certainly sit well with the committee.

Norman Drummond: I will deal first with the second part of the question. Stevie Seigerson will address the first part, about mentoring and monitoring, which you are right to have highlighted as being essential, because it is all about the community to which people return.

The journey to Skye is important. People go to the island prepared, and the journeys there and back allow people to see parts of Scotland that they might never otherwise have seen. A quick tour up the west and east coasts of the island enlivens those who go there.

As far as the “Scotland values education” initiative is concerned, I return to what Mr

Fitzpatrick said in relation to getting in touch with the educators. I have been an educator for most of my life and I feel that educational reform is often piecemeal, and slaps more pressure on teachers. Reform can make teachers feel more tired and less vibrant as they hit the classroom, particularly in primary schools.

However much salaries improve, we need to get in earlier and have recognisable behavioural systems in place. For instance, Archbishop Michael Ramsey Technology College has taken our core values to its ambassadors—it has 15 to 25 ambassadors in schools. Those of us in education know that there is nothing better than when peer groups set the standard. It is all very well when the teacher sets the standard, but it is much better when the peer group sets the standard.

We would be happy to begin discussions, but we need a few academics with us. We do not want too much paper, process or bureaucracy—but let us see what might be possible. Indeed, someone mentioned the idea of setting up a laboratory for what Scottish education might look like in the future. Members of this distinguished committee do not need me to tell them that an awful lot of what we do goes absolutely nowhere. League tables and so on do not help people into jobs, and they do not help people to choose the right partners for life or to make the right life decisions.

On roll-out, and in response to Mr Fitzpatrick and Miss Goldie, I can say that the areas that we are considering include Aberdeen and the north-east.

We could pick up on the Celtic saints, because we think that there is much to learn from our past in respect of acceptance and being on a shared journey. The early Celtic peoples spoke of warmth and hospitality, which we have rather lost sight of in moving so far from community living. St Machar or someone else from the north-east could be picked up on, because he appeals to the north-easterners. St Cuthbert could be picked up on in the Borders. We are already considering a project called Ninian 1600 in south-west Scotland. As I said, such nomenclature can bring the values of Columba, for example, right up to date and is a slightly trendy way of making those values acceptable. That is a good lead to what Stevie Seigerson can say about returning Columbans having something in common when they return to their communities.

12:45

Stevie Seigerson: I want to talk about sustainability and the aftercare package for people returning from the residential course. If an organisation refers a group of young people and

we are doing early work with them, one condition that we impose is that there should be two support people throughout the residential course, which results in there being connections that might not exist if appointments were made to see those on the course only twice a month. We find that there is continuity when people are together as groups and when officers, or whatever their titles are, go through the course as participants with the clients that they bring. At night, what has happened to the client will be thought about at home—faces will regularly come back to haunt people. We receive such feedback from people whom we put through the programme.

With the arrival of every person who comes through the door at Columba 1400, we start to build a community of people that will return. All of a sudden, their reality becomes a wee bit different. When they return to their communities, their biggest challenge will be the cold bucket of water that will be thrown over them. People will say: "How dare they feel confident and ask questions that should not be asked." They need support, so it is important that other people are around them when they return to that reality.

I have a wee life lesson. I spent three months in Africa when I was young. When I returned, I lived in a housing scheme in the east end of Glasgow, and I asked myself what would happen next. That has stuck with me all my life. We have worked hard with other organisations on the support that is needed when people return to the community. On the last day of the programme, participants will have under their arms a list of support people who have been through academies, or they can lift the phone and call us; there are many options. People might simply want to share what they think. One practical measure is that, after they have been to the project, participants have an informal monthly where-are-you-now session, which is a life-raft for some in that they have a place to go where they can share again and where they can discuss why their partner gave them a hard time when they returned.

The Convener: That is fascinating, but I am conscious of the time, so we will take David Mundell's and Ken Macintosh's questions together.

David Mundell: Fortunately, Stevie Seigerson answered my question, which was helpful. I have experience of the corporate side—not with Columba 1400, but of similar projects relating to leadership and other skills. I remember that it was difficult to manage people back into the working environment on the corporate side, because they were enlivened and invigorated before returning to work. They found that work was just the same and they ended up being more frustrated than they had been when they left. Often, I thought that the company was adversely affected.

I am interested in what was said about the community. Support and the ability to ask questions as to why one's partner does not think it is great that one has been away for eight days and has come back full of joy are important. However, before Ken Macintosh asks his question, will you say what you are doing in the south-west?

The Convener: Ken Macintosh can ask his question first.

Norman Drummond: We will try to be brief.

Mr Macintosh: I notice that one of the courses is certificated by the University of Strathclyde. Where does the work that you do in Columba 1400 fit in with the new Scottish credit and qualifications framework? Is it pre-accredited learning, experiential learning or is all of it accredited? Where would somebody from a local community get the funding to attend a course?

Ian Chisholm: We are approaching the accreditation question backwards. Diving into the corporate realm was the acid test of whether our leadership material was good enough to put in front of a discerning and hard-nosed corporate crew. In many companies, 80 per cent of personal development work must be accredited and we wanted to make sure that our work was good enough to be accredited, which was, perhaps, putting the cart before the horse. From the position that we are in now, of having been up and running for two-and-a-half years, we intend to work backwards through the Scottish quality management system to ensure that our programmes, for example the WOW programme, become accredited. It is amazing how various things that people want to do can serve as credits that they need for whatever they want to do next.

All of that is a huge case study that gets back to the scalability question. We deal with hundreds of people a year, but if we are to deal with thousands, we must consider an important parallel: when you take the best person from the shop floor and make them a manager, you lose a top person from the shop floor and sometimes you end up with a good manager, but sometimes you do not. In the same way, at present, we have a gem—I use the word on purpose—of quality. If I was to answer the question of what the Scottish Executive could do to help us, I would say that it should help us into different packages, that it should continue to protect the quality of our gem and that it should provide us with secondments or a team of people from champions of scalability, such as the Open University and the United Nations Educational, Scientific and Cultural Organisation. Champions of scalability do not focus on quality—they let the people responsible for that do that. They simply manage the process of scaling up. We could use that. We are good at maintaining the quality of an irreversible personal

experience—if you do it right, you only have to do it once. That is why Jobcentre Plus has picked us up: it is tired of the cycle of somebody not getting a job again and again despite all efforts. You need to hit them once and you need to hit them hard. If we are to scale such work, we will need some high-priced help and secondments from the champions of scalability.

Stevie Seigerson: The funding route that should be taken by an individual will depend on the location. For example, if the person lives in a social inclusion partnership area, he or she can go into their local economic development company or jobcentre and get access to our programmes and be referred to various partners. If that network is clear, the cost should be picked up.

Mr Macintosh: Is funding available if the area is not a SIP area?

Stevie Seigerson: We obtain private-sector funding for certain packages. We have to liaise as often as we can with the existing networks.

Norman Drummond: The incredible thing about funding is that those who are looking to do something else with their lives and who may have a ridiculously reasonable salary, find that they gain such benefit that they do not experience the corporate drop that would be associated with charitable giving. We stand against the concept of charitable giving. It might salve a few consciences, but it is not corporate social responsibility, which works from the bottom up and involves working alongside people. Often, we find that there are some responsible and good benefactions for which we are very grateful.

The contact with the south-west of Scotland is through Andrew Campbell, the convener of Dumfries and Galloway Council. We met Fraser Sanderson, the education and social work convener down there—it is interesting to see education and social work being put together in such an imaginative way. One of the directors of Columba 1400 is John Moorhouse, who used to be the chief executive of Scottish Business in the Community. There is a great enthusiasm in the south-west for looking at what might be possible.

In my BBC guise, I visited the south-west of Scotland after the Solway Harvester disaster and saw that there was terrible deprivation and problems with drugs. That is an area that we would like to target if funding and opportunity became available. The first move, however, is to work towards establishing three pilot academies in the south-west of Scotland during the summer. We have been incredibly grateful for, and impressed by, the diligence of Dumfries and Galloway Council and the attention that we have received from Andrew Campbell, Fraser Sanderson and others.

The Convener: Does the committee agree that we should add to our legacy paper a recommendation that our successor committee should pay a visit to Skye to pursue this issue?

Members *indicated agreement.*

The Convener: I want to place on record our thanks to Norman Drummond and his team. This has been an enlightening meeting. I also want to pay tribute to the particularly excellent paper on the social economy that was prepared by the Scottish Parliament information centre.

Norman Drummond: It would be marvellous if your successor committee could visit us—we shall plan towards that. However, if any individual members would like to visit our magical misty isle, I assure you that one day on the island is worth two on the mainland. When it is 11 o'clock in the morning, you think it is lunch time. Given your busy parliamentary lives, I think that it would be very good for you all to go and spend some time there.

The Convener: I would like to reinforce that. I recently attended a conference involving the Institute of Contemporary Scotland, which works with 18 to 29-year-olds. I met Tam from the Gorbals, who was in his mid-20s and had been in Barlinnie a few times. The combination of the work that the Prince's Trust and the Institute of Contemporary Scotland had done had, in his words, taken him out of a life of crime and into a life with hope. He also said that if I gave him a job, he would make sure that everybody in the Gorbals voted SNP in the election. I am sure that he would—he was brilliant.

Meeting closed at 12:56.

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