ENTERPRISE AND LIFELONG LEARNING COMMITTEE

Tuesday 18 March 2003
(*Afternoon*)

Session 1

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ENTERPRISE AND LIFELONG LEARNING COMMITTEE
6th 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)
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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

THE FOLLOWING ALSO ATTENDED:

Cathie Craigie (Cumbernauld and Kilsyth) (Lab)

WITNESSES

Professor Steven Beaumont (Institute for System Level Integration)
Stephen Boyle (Future Skills Scotland)
Rachel Brennan (St Helen's Primary School)
Jack Burns (St Helen's Primary School)
Paul Cannon (St Helen's Primary School)
Dionne Coyle (St Helen's Primary School)
Ron Dunn (Institute for System Level Integration)
Sarah Hall (Schools Enterprise Programme)
Tom Hunter
Rachael Kennedy (St Helen's Primary School)
Marie Maclean (St Helen's Primary School)
Paul Moran (St Helen's Primary School)
Lisa Naidoo (St Helen's Primary School)
Alice Quinn (St Helen's Primary School)
Stephen Rattray (mmpg.net)
Graeme Semple (Scottish Paintball Centre)
Jean Shields (Schools Enterprise Programme)
Carleen Smith (St Helen's Primary School)
Chris van der Kuyl (VIS Entertainment)

CLERK TO THE COMMITTEE

Simon Watkins

SENIOR ASSISTANT CLERK

Judith Evans

ASSISTANT CLERK

Jane Sutherland

LOCATION

The Chamber

Scottish Parliament

Enterprise and Lifelong Learning Committee

Tuesday 18 March 2003

(*Afternoon*)

[THE CONVENER *opened the meeting at 14:05*]

The Convener (Alex Neil): Welcome to the final meeting of the Enterprise and Lifelong Learning Committee in the first session of Parliament. I have received apologies from Adam Ingram and Tavish Scott. David Mundell and Annabel Goldie have also given their apologies; they will be late. Other colleagues who are not yet here are expected to join us shortly. I give a special welcome to Cathie Craigie, the MSP for Cumbernauld and Kilsyth.

The agenda for today's meeting should include item 5 on the closure of the committee's proceedings in the first parliamentary session.

Entrepreneurship (Young People)

The Convener: Item 1 concerns entrepreneurship for young people. I will not read out the names of all of our young witnesses because Sarah Hall of the schools enterprise programme will introduce today's team of witnesses and give an introduction to the programme.

Sarah Hall (Schools Enterprise Programme): Good afternoon. I thank the convener for the invitation to appear before the committee and for the opportunity the committee has given the young people to have this experience today.

I am the national project manager for the schools enterprise programme in Scotland. I will give a brief overview of the programme and of our activities throughout Scotland. The programme is a three-year programme that is funded jointly by the Scottish Executive and the private sector in the shape of Schools Enterprise Scotland Ltd. We are about to enter the third year of the programme—as of 1 July 2003, there will be one year left.

We employ 36 enterprise education support officers—or EESOs, as we call them—who are, in the main, seconded teachers. The role of an EESO is to train teachers throughout Scotland in how to deliver enterprise education in schools. EESOs also support teachers in putting together enterprise projects. The programme operates throughout Scotland, from the Western Isles and Orkney to Dumfries and Galloway, and it has proved to be extremely successful.

Since the programme was set up, we have trained 5,000 teachers throughout Scotland. The aim of the project is to offer each child in Scotland the opportunity to have three enterprise experiences during the five-to-14 curriculum. During the time the project has run, at least 38,000 children have had at least one enterprise experience. When members listen to the children's evidence, they will hear about the skills that they are learning, such as motivation, leadership, self-confidence and self-esteem—all of which are extremely important in an enterprise culture.

Careers Scotland manages the programme on behalf of the Scottish Executive and Schools Enterprise Scotland Ltd. Although I am the only staff member, the EESOs do the work. I now hand over to Marie Maclean, who is a class teacher at St Helen's Primary School and who will introduce the children.

Marie Maclean (St Helen's Primary School): Enterprise is a wonderful enhancement to the curriculum. Members will hear from the children what they have achieved in the enterprise programme and about their experiences of it,

especially in the last year of the programme. As Lisa Naidoo, who is sitting beside me, is in her last year of enterprise, she has the most experience. When members hear what the children have to say, they will realise what a big place enterprise has in our curriculum at St Helen's.

We will start with the youngest children. Dionne Coyle will lead off for us.

Dionne Coyle (St Helen's Primary School): Good afternoon. I am in primary 5 and I am nine years old. I am here to tell you about our enterprise, which started last year when Mrs Maclean asked the primary 7s whether they wanted to do decoupage for their enterprise. After they had done that for a while, she told all the classes that they could do all different things for their enterprise, such as making candles, fridge magnets and bookmarks. The primary 5s got to do bookmarks and were quite glad about that. There is also a personal stamp that a girl who was in primary 7 designed last year.

There was quite a lot of equipment involved, such as peel-offs, a computer for printing picture bookmarks, a guillotine and a mini Xyron machine. There was ordering card as well. Mrs Duffy helped us with the bookmarks and would stamp the back when we were finished, before putting them through the Xyron machine. She made a good job of it.

After about three weeks, we sold our bookmarks in a craft fair that we held. That was a good experience for primary 5. It was a good idea to let us take part. We all thought it was fun and enjoyable.

Jack Burns will tell you about his experience as a quality controller.

Jack Burns (St Helen's Primary School): Good afternoon. I am here to tell you about my quality controlling work on the bookmarks.

I was interviewed by my classmates on what subjects I was good at, for example reading, spelling, creating things and drawing. They counted my score and I got a lot of votes for quality controller, so I got the job. There was another quality controller—a girl called Lauren—who also got a lot of votes after being asked the same questions. We both became quality controllers and have quality controlled a bookmark for a newspaper reporter.

Paul Moran (St Helen's Primary School): Good afternoon. My name is Paul Moran and beside me is Rachael Kennedy. We are 10-year-olds and are in primary 6. We started our enterprise in September and started to make fridge magnets. We all made up logos and names and decided on Ice Cool Magnets. Then we had interviews for jobs, which included bookkeeper, secretary, quality controllers, order takers and so on. We wrote a letter to our head teacher, Mrs Quinn, to ask for a £50 loan. After that, we got £30 sponsorship from the mum of a girl in our class, Mrs Psaros, and £10 sponsorship from Mr Maclean, the husband of the primary 7 teacher, Mrs Maclean. One month later, we received a £50 grant, which meant that we could repay Mrs Quinn. Therefore, we made a profit.

Rachael Kennedy (St Helen's Primary School): After that, we bought wrapping paper and cut out shapes that would interest adults and children. Some people brought in magazines and we cut out pictures of famous people's heads to make into magnets. We also asked people to bring in photographs that could be made into magnets. We advertised by making posters and putting them up around the school, which made more customers order photo magnets. After that, we handed out one extra poster to every class. We got lots of coloured card and stuck the pictures that we had cut out onto it, then we used wave scissors and cut around the shape of the pictures, leaving a small border of card. We used the Xyron machine to make fridge magnets, but unfortunately we did not have a lot of the magnet cartridge left from the last time that the Xyron was used, so we used Mrs Psaros's sponsorship money to buy a cartridge.

When we were ready to make the magnets, we put the pictures that were mounted on card through the Xyron machine. When they came out, we cut off the excess magnet cartridge and used the wave scissors again to give them a nice edge. We wanted to sell the magnets at the Christmas fair to raise funds for the school. At the fair, we stuck our magnets on a magnetic board. It was a big success and we sold almost all of our magnets.

We are still selling photo magnets and making money for the school. Our class has really enjoyed making the magnets and we cannot wait until next year, when we hope to have another enterprise project.

Thank you for listening.

The Convener: It was a pleasure.

Marie Maclean: The next project is a joint project, which Paul and Rachel from primary 7a and Caroline and Lisa from primary 7b will talk about.

Paul Cannon (St Helen's Primary School): Good afternoon. I am here to talk about the enterprise project that took place in my school. We started the project with funds from our previous enterprise project, a business enterprise grant of £50, a £50 loan from the school and sponsorship money from our business partner, the Happy Stamper, which also did workshops for us and

provided materials. Margaret of the Happy Stamper also helped out at some of our card-making sessions and give us tips and new ideas.

At the start of the enterprise, posters that advertised the posts that were to be filled were put up in the area. Application forms had to be requested and filled out and there were interviews. Children who did not apply for the posts were on the interview panel. A person was not told immediately whether they got the job—they got a letter through the post about a week later. The posts were advertisers, bookkeepers, a secretary, quality controllers and stock order posts.

14:15

Rachel Brennan (St Helen's Primary School): I want to talk mainly about our primary 7 enterprise, but also about our school enterprise. In our enterprise, we did decoupage cards, flower arranging, card making, decoupage pictures, yo-yos, gift boxes and candle making. We have had a lot of help from people in the community. The Happy Stamper was our business partner. As well as giving us money, Margaret of the Happy Stamper gave us materials and did workshops that included us, children from other stages, teachers and classroom assistants. Her workshops used a machine called a Xyron, which was bought from the profits from last year's enterprise in primary 6 and primary 7. The Xyron was used in three different enterprises. We used it to make our cards sparkle, the primary 6 class used it to make fridge magnets and the primary 5 class used it to make bookmarks.

This year, some of our parents also sponsored us. We sent out a newsletter to parents asking for financial support. When they sent in money, we sent handmade thank-you cards to them.

A number of primary 7 children decided to start up their own small businesses from home. They received loans from their parents and grandparents to buy materials. Some of them ordered materials from Margaret of the Happy Stamper, some used Mrs Maclean's catalogues and some ordered materials online, with their parents' support. As well as selling cards to their parents, families and friends, they booked tables at the craft fair. After that, they paid back their loans and bought more materials. Quite a few children got stamping things for Christmas.

Jillian and Erin formed a partnership so that they could split the cost of the stamping tools. They made up a name for their company and printed out order forms for their customers. As well as going to Mrs Maclean's lunch club for card making, some children go to the Happy Stamper after school for extra classes.

The teachers decided to have a wholesale craft fair before Christmas—even the nursery took part. I will go through all our enterprises. The nursery made sweet bags and candles in glasses; primary 1 made paperweights; primary 2 made notepaper and envelopes; primary 3 made notelets; primary 4 made Christmas gift tags; primary 5 made bookmarks; primary 5 and primary 6 made dried flowers; primary 6 made fridge magnets; and primary 7 made cards, candles, flower baskets, gift boxes and decoupage pictures.

The craft fair was a huge success. The advertising group put an advert in the local paper, put posters up in the local shops and school and sent out a newsletter. We sold out of everything—even tea and coffee—and we all enjoyed ourselves. The hall was beautifully decorated and our Christmas tree was up. We had a fun time.

Carleen Smith (St Helen's Primary School): I am the bookkeeper for a primary 7 enterprise called Crafty Kids. I had to apply for my job by filling out an application form. I then had an interview. I was given the job after a class vote. Once I was chosen, Mrs Maule—who is one of the auxiliaries—gave me a book in which to keep all the outgoings and incomings. Mrs Maule also showed me where the money should be kept.

Whenever we were given an order, Lisa Naidoo would give me the money, which I filed in my account book. When a lot of money built up, I would take it to the office to be banked, because having hundreds of pounds in one small box would not be safe. I also had to log sponsor money that had been given by parents or companies and I had to take it along to the office. I took care of outgoings as well as incomings. When the enterprise purchased something, I was given a copy of the receipt and the money was subtracted from our total.

That way, I could see clearly how much money we were making and whether we were running at a loss. At Christmas, our enterprise received a number of big card orders from companies in Glasgow, some for hundreds at a time. That happened first when the primary 5 business partner, Kevin Maguire of Linn Consultants—our business partner last year—saw some of our cards and ordered them well in advance. When some of Mr Maguire's clients saw his order they ordered their personalised Christmas cards from us as well. Each time a cheque came in the post I had to write it in my book and take it to the auxiliaries to be banked. We also had a big order from the school.

When we had our craft fair, I had the task of counting the money. We made £515.78 on that day alone. I added up all the other money we made from orders and subtracted it from the money we spent, which left us with about £550. All the classes in the school had a part to play in the craft fair, so overall we made around £1,600.

After the school fair, different classes put proposals to the school council on how we should spend our profits. Some of the profits were used to buy stock for the card-making lunch club, which Mrs Maclean runs every day. The rest of the money went on buying school benches with concrete bases. That is a good investment for two reasons: children who have special needs can use them, and vandals cannot carry them over the fence as they did with all the previous ones.

I feel that the job has taught me a lot and has given me a taste of what it would be like to work with money in a bank.

Lisa Naidoo (St Helen's Primary School): Good afternoon. In my spare time in school I participate in the Crafty Kids enterprise lunch club. I have been going to it for three years, and I now play quite an important role in the enterprise. For the past two years I have been in charge of orders, although this year it was a challenge to keep my post. Last year, Mrs Maclean appointed the job of looking after orders to me. My job was to take care of money that came in from the orders and assign orders to certain people. In that year, most of our profit was from orders. Soon the orders became too much for me alone, and Mrs Maclean and I decided to appoint an assistant.

When we returned to school in primary 7, I had doubts about whether my job with orders would be safe. I was unlucky and my thoughts were correct, so I had to re-apply for my post. It was very simple: all I had to do was to fill out an application form and face a grilling interview in front of the primary 7s. Then I had to wait for everyone to vote. I then had to wait for one more week before I received in the post my letter of congratulations or apologies. I am pleased to say that I was voted in for the orders post.

At the moment my partner is Jillian Reilly and the business for orders is still booming. My life as an orders person was hectic. As I may have said, I was responsible for the orders that I was given. It was my duty to get the information that was needed to create the card the right way and to make sure that it was finished on time. If that did not happen, it was my fault and my problem, because it was me who had to explain to the customer what had happened. As most of us would not want that to happen, I made sure that I appointed each card order to the right person. I had to make sure that the person knew exactly what they were doing and that help was at hand but, most important, that they knew their deadline.

The majority of our orders are for Charles Rennie Mackintosh cards. One girl—Jane O'Toole—specialises in that sort of card. She was always flooded with orders for Rennie Mackintosh cards. As Jane's cards were in such big demand, she sometimes asked someone else to help her to complete her orders to suit the demands of the individual customers. They could get that information from my order book. Jane's cards were so versatile that we kept a store of blank ones. When someone needed a card urgently we just had to put a peel-off message on the front and a typed insert inside.

Orders were checked by the quality controllers before they were delivered. They used my order book to make sure that the design and colours were correct, that there was a clean envelope of the correct size, and that the cards were bagged and priced. I delivered the cards with a receipt showing the price. Sometimes I had to chase the customers for the money. The receipt was duplicated, so I knew that if it was not ticked off in my duplicate book it had not been paid. That happened because parents and pupils would sometimes take a card without paying. The enterprise had to keep on top of those things. I then gave any moneys received to Carleen to bank.

Since starting the job two years ago, I have worked to my full potential, along with the other children. I have enjoyed earning every single penny and making every single card. I feel that the project and the job have opened up a whole new gateway to jobs that my friends and I can venture into.

Marie Maclean: I think that, when they listen to the children, members can tell that we take enterprise quite seriously at St Helen's. We ensure that we follow all the correct procedures. There is no favouritism; everything is decided by votes. I think that the children have had a great experience.

The children who did the project last year and who are now at St Maurice's High School might have moved on, but four girls at the high school are currently running their own businesses, which they started when they were with us. They keep in contact to get advice. I know from the suppliers that they use that they are running their businesses independently and are selling their cards; if you stood still for long enough, I assure you that you would buy more than one card from them.

Enterprise is a wonderful way to enhance learning. Because they are enjoying themselves, the children do not realise that they are learning maths, language and all the other skills that we are giving them. I recommend enterprise projects to every teacher and I am sure that Jean Shields will agree with me.

Jean Shields (Schools Enterprise Programme): I definitely agree. The children get wrapped up in their projects and in what they are producing. They do not always realise what they

are learning and what core skills they are using. Think about the children's self-esteem, and about the confidence that they are displaying in sitting and talking to you today—that is apparent to teachers, when they stand back and watch them. Enterprise projects are not just for the very able, nor are they just for the very poor—enterprise is for everybody.

Marie Maclean: Regardless of his or her ability, every child will have a really exciting experience somewhere in enterprise—no one is left out because enterprise can be tailored to any child's needs, which can be quite difficult to achieve in other areas of the curriculum.

Jean Shields: An enterprise project is sometimes better for middle-of-the-road children because they can, in such projects, show what they are worth. Children do not need to be very academic to show what they can do. Such children are often the ones who shine, because they are the ones who can be depended on. The children also get to recognise one another's skills—not just their own—through their enterprise. They are quick at telling one another when they are not good at something, but they are also quick at recognising one another's abilities.

In enterprise, learning—rather than the product—is most important and of most value although, as Marie Maclean said, the children and the teacher must believe in their product; it does not matter whether it is a community project or an environmental project.

The Convener: That was a fantastic presentation. It is just a pity that you were not here three or four years ago, because we could have got you to take over the project for the new Parliament building, which would have been kept well under control.

Marie Maclean: We have a few ideas about that.

The Convener: I will open up the meeting to questions, to both the children and the adult witnesses. I start with two quick questions for the children—you can just stick your hands up. First, do you think that profit is a good thing?

Witnesses *indicated agreement.*

The Convener: Good—nobody disagrees. I ask the lady who was a bookkeeper and who still has her hand up: why do you think profit is a good thing?

Carleen Smith: Because if we make a profit we can buy more things to put into our business, and we can extend the business and do more, so that more people enjoy our cards. We can do other things: if someone is just making cards but then buys a Xyron machine, they can do bookmarks and fridge magnets. More people would then be interested in what they were doing.

The Convener: Great. Do any of you have an ambition to set up your own business when you grow up and leave school? Put your hands up if you do.

Lisa Naidoo *indicated agreement.*

Carleen Smith *indicated agreement.*

The Convener: Only two of you? Would you not like to run your own business, Jack?

Jack Burns: I would.

The Convener: Before you took part in the enterprise programme, did you know anything about business? Had anyone spoken to you about enterprise?

Jack Burns: No.

The Convener: Do anyone's mums and dads run businesses?

Carleen Smith *indicated agreement*.

The Convener: Are you the bookkeeper?

Carleen Smith: My dad is an artist. He sells paintings, does murals in hospitals and paints portraits and landscapes.

The Convener: Does he make a profit?

Carleen Smith: Yes.

The Convener: Good.

Brian Fitzpatrick (Strathkelvin and Bearsden) (Lab): Of those who did not put their hands up, how many have an idea of what they want to do when they grow up?

The Convener: Do not become an MSP—there is nae money in that.

Brian Fitzpatrick: However, you can build a better world.

Lisa Naidoo: I would like to go into medicine.

14:30

Brian Fitzpatrick: Would you now think of setting up a business in a way that you did not before you took part in the programme? Some of you are nodding. Paul Moran was nodding. What do you think?

Paul Moran (St Helen's Primary School): I had never thought of running a business before, but when Mrs Maclean told us about the business enterprise programme I thought that I might try to run a business when I was older.

Brian Fitzpatrick: Lisa, what would put you off running a business?

Lisa Naidoo: Nothing would put me off running a business.

Marie Maclean: You do not know that. I am frightened of this girl.

Lisa Naidoo: Running a business would be great fun and would be something new to do. It would be a challenge.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): Thank you for your presentations, which were really interesting. The enthusiasm of the group has shone through. Do you have suggestions to make to people who are operating businesses in other walks of life, outside the Scottish Parliament? Perhaps Carleen Smith has a suggestion. Most people working in business would be a bit scared of you, as the bookkeeper. What do you think? Have you seen businesses that you think you could improve and make a better go of?

Carleen Smith: I do not know.

Mr Kenneth Macintosh (Eastwood) (Lab): I have a question for Sarah Hall. I enjoyed your presentation, which was fantastic. Am I right in thinking that there are a number of different enterprise programmes in schools—for example, businessdynamics and entrepreneurial Scotland?

Sarah Hall: There is also Young Enterprise Scotland.

Mr Macintosh: Can you describe the support network that exists to enable young people to develop their enterprise skills.

Sarah Hall: You are right to say that there are many enterprise products on the market. I stress the fact that the schools enterprise programme is a programme, not a product. The main point is that we have the resource of the seconded teachers—the 36 support officers. Jean Shields is an enterprise education support officer who works with St Helen's Primary School. When an EESO goes into a school, they may find that a great deal of enterprise education is being provided, although the school is not aware of it. The EESO will suggest tweaking those projects so that they become enterprise projects.

In the first year, we focused mainly on primary schools, although the programme is for the five to 14 curriculum. The two principal products that we used were enterprising infants and go for enterprise, largely because they were in the primaries already. We are not reinventing the wheel. The schools enterprise programme will clearly identify good practice throughout the country—if something good is happening in Grampian or the Highlands, for example, we will roll it out. We also hold training events for all the EESOs throughout the country; one such event was held in Troon.

We found that there was a gap in secondary 1 and secondary 2. We have written new materials, called "up for enterprise". Most of the products, such as businessdynamics and young enterprise, focus on the upper school—they are mainly for S3 upwards. However, I repeat that we are a programme, not a product.

Mr Macintosh: The fact that you have designed a new product for S1 and S2 is interesting. I read that if one asks young people in primary school if they want to run a business, a huge number say yes, but if one asks secondary school pupils the same question, they all say no. Something happens between primary and secondary school.

Sarah Hall: It depends on the level at which the question is asked. What we do in primary schools we will now take into secondary schools. The products will be launched in June, but they will be readily available in the market from March. It will be the job of the EESOs to deliver training to secondary teachers. Secondary schools are a completely different ball game from primary schools, given that there are disciplines such as French, mathematics and economics, so the products are written to be delivered within a discipline. Secondary kids in S5 and S6 do more enterprise education than is done by pupils in the lower school.

Andrew Wilson (Central Scotland) (SNP): As all members have said, every one of you should be very proud of what you have done today and the way in which you have expressed yourselves. You are a credit to yourselves and to your families. You should keep as hard at it as you possibly can over the weeks and months ahead.

I ask you all to think back over what you have been doing in the last wee while. What is the most difficult thing that you have had to overcome? If you could do what you have been through on your projects again, what would you change? I ask Dionne Coyle to respond to those questions first.

Dionne Coyle: I made a few mistakes last week when I started working on my speech. If I think back, I rushed it a little bit and I could have put a bit more into it.

Andrew Wilson: A lot of us feel like that every week in Parliament—you are talking about our life's experience.

The Convener: Speak for yourself.

Lisa Naidoo: The hardest thing was getting money from people to get started. I would not say that I would like to change anything, because I think that it has been a great success and we have done everything correctly. It has worked out better than we planned.

Rachel Brennan: I would change the mistakes that I have made in the cards. I have mucked some of them up a wee bit. I would probably change that.

The Convener: I should have said that if you are looking for a long-term, interest-free loan, Andrew Wilson is your man.

I will ask the teachers—including Mrs Quinn, the head teacher—a final question. You mentioned that this is not about enterprise in its narrow definition; it includes all the other skills and acumen that the kids develop as a result of the exercise. How does the current situation compare with four or five years ago, when kids of the same age did not experience enterprise education?

Alice Quinn (St Helen's Primary School): I see a tremendous difference, in that the children can work relatively unsupervised and manage themselves. The children form the teams, they decide who leads the teams and they recognise one another's strengths. It is also evident in the staff room—I am sure that members experience this in Parliament, too—that people recognise the leaders. Marie Maclean is a clear leader in enterprise education and she motivates the other staff to come along. She knows how to direct everyone else to the support that Jean Shields gives us through the careers department.

The children now have a lifelong skill: they have learned how to work as part of a team. That has broken down a lot of barriers as far as their abilities and social capabilities are concerned, from which the entire school has benefited.

One of the things that concerns me a wee bit about the future of enterprise education is that, currently, the classes can apply for a £50 loan, but I understand that that facility will come to a halt and that the money will no longer be available. Initially, the children wrote to me and asked me for a loan, so it was okay for me to write a cheque from the school fund. I have confidence in the children and I know that the money will come back. However, not all schools are able to do that. We may need to consider that matter carefully in the future.

The fact that five of the children who have left St Helen's to go to high school are running a business is testimony to the fact that lifelong learning starts at primary school. I am confident that at least three of those five children will carry their business into adulthood. None of those children's parents had businesses.

A generation of children have a goal that they are confident they can achieve. They go along to night classes and they phone Marie Maclean—I nearly described her as their old teacher—because they are confident that they can still contact her for support. The children are selling to businesses in the city—builders' merchants, architects and restaurants. Those high-profile businesses have such confidence in the children's products that they want to send their customers a Christmas card that has "Hand-painted by the children of St Helen's" stamped on the back—the stamp was also designed by the children. I am just proud.

Marie Maclean: I agree with everything that Mrs Quinn has said. Five years down the line, something else will stimulate the children to learn. Ten or 15 years ago, we got computers. When Mrs Quinn came to the school seven and a half years ago, schools did not yet have access to the internet. We had a needs discussion during which I asked whether we could get access to the internet in the school. When Mrs Quinn asked me what the internet was, I said, "Just trust me—it's wonderful." We had access to the internet in school before anybody else, and we used it to advance the children's learning. Five years down the line, we are seriously taking on board enterprise education. A further five years down the line, somebody will come up with something else to stimulate learning for children. That is not to say that, five years ago, children lost out on enterprise education. I hope that the high schools will pick it up for them.

When we meet people such as Jean Shields, who tells us, "Try enterprise—it's wonderful", we think, "Oh God—not more work." Then she sold the idea to us and we started work with our children and we found that enterprise education really is wonderful.

Jean Shields: I am probably the granny of enterprise—I was doing enterprise in primary 7 10 or 12 years ago and it was fantastic. However, given all the new subjects that came into the curriculum, enterprise started to die. I remember saying at a meeting at Jordanhill that something would have to be done about the situation. At one time, I was allowed 10 weeks for enterprise education in primary 7. Then I was told that I would have to cut down to six weeks and then to four weeks. We cannot do justice to an enterprise project in four weeks and I was getting really frustrated. Then the schools enterprise programme came in, and it has brought enterprise education back into its own again. I can now go back into schools and say, "I have done it, you can do it and the support is there for you."

We will need to watch out that enterprise in schools does not die again. There was nobody more enthusiastic than I was 10 or 12 years ago, because I could see the benefits when I worked with the kids. However, because so much was being packed into the curriculum, teachers were not being allowed time for enterprise education. Now we can work out where we can use enterprise in the five to 14 curriculum. That, as much as training teachers, is what I feel my job is about. Enterprise is not an extra—we can get it into the curriculum—but if the schools enterprise

programme finishes in 2004, we must watch that enterprise education does not die off again, given that it started to do so before.

Brian Fitzpatrick: We will move on to some very good news on that front later in the session.

I am interested in what the staff around you think about the divide between development and attitude. Teachers can attend to resource matters—paper, documents and the like—whereas we are getting quite strong evidence of a change in attitude among youngsters. Is there a core script that can be distilled down for teachers—almost a foreign exchange for enterprise education? Are there key points that you want to get across or should one adapt the process as one goes along, according to individual children?

Alice Quinn: I think that that could be death by a thousand documents. I do not want enterprise education to be delivered separately in the classroom. At present, we are delivering enterprise education in the right way. We integrate it in the five to 14 curriculum, the teachers attend the training provided by Jean Shields's department and cascade that training down to other staff in the school. Teachers and head teachers can become overloaded by other documents that can fragment the curriculum too much. That would make enterprise education look as though it sat on an island, but it is integrated into language, maths and everything else we do in the school.

The Convener: It is fair to say that every party around the table is impressed with and enthusiastic about the schools enterprise programme. We will highlight to the minister some of the points you mentioned—such as the availability of small loans for the schools—to ensure that such small hiccups are not allowed to stand in the way of a very successful programme.

I thank you all very much indeed. I am sure that after the elections on 1 May, our successor committee will want to continue to pursue the matter and ensure that the schools enterprise programme gets all the support from the Parliament and the Executive that it so richly deserves.

I know that you would like to stay for the next evidence-taking session, so I will suspend the meeting for two minutes to give you time to get up into the gallery and to give the new witnesses time to take their places. I thank the witnesses from St Helen's Primary School in Cumbernauld very much.

14:46

Meeting suspended.

14:49

On resuming—

Entrepreneurial Opportunities

The Convener: I should point out for the record that Rhona Brankin has sent us her apologies—she is off sick.

Continuing the theme of enterprise, I introduce a fairly distinguished panel. Tom Hunter and Chris van der Kuyl are well known to everyone; and Stephen Rattray and Graeme Semple are two successful entrepreneurs who started up their businesses with support from the Prince's Scottish Youth Business Trust. Annabel Goldie is on the trust's board and I was its first director, so we should perhaps declare that interest right at the beginning.

The purpose of these evidence-taking sessions is to guide us in making recommendations for our successor committee and to highlight key areas where the Scottish Parliament and the Scottish Executive can further help to promote enterprise in Scotland. There is a broad consensus about the need to improve our economic performance, the business start-up rate and so on.

We want a freewheeling discussion on this matter. Members can ask whatever questions they want to ask and witnesses can say whatever they want to say. We want the witnesses to put all their cards on the table, and they are more than welcome to be critical of the Parliament. We want to hear about the role that we can play in improving the level of entrepreneurship in Scotland, which still has a fair way to go.

I ask all the witnesses to make a few introductory comments. Then I will kick off the question-and-answer session.

Tom Hunter: The kids in the previous evidence session said everything. A few years ago, when I thought about how we could stimulate more entrepreneurial activity in Scotland, I decided that there were no quick fixes. Indeed, if there had been any, we would have put them in place long ago. I decided that we had to start right at the beginning.

Unfortunately, such activity is not natural to Scots, which I suppose goes back to our history of dependency on coal mining, shipbuilding and steel making. People would leave school, and—certainly where I came from—get a job for life down the pit. However, people have had a tough wake-up call; they now realise that no one else is going to take care of them or give them jobs for life and that they might have to do all that for themselves. Coming to that conclusion has been a tortuous journey for the past two generations.

Then I came across the schools enterprise programme. I thought that it was a crime that the programme was for only a select few; I felt that every primary school pupil in Scotland should be in it. I am glad to say that we are well on our way towards that target, having trained more than 5,000 teachers.

As I said, the kids that the committee heard from today said it all for me. However, it is important that we get things right and do not miss the point of enterprise education. We are not trying to produce a classroom of Richard Bransons—that would be quite bad. The point of starting to lay the foundations of entrepreneurial activity at primary school level is to build self-confidence, self-belief and a can-do attitude in each kid, no matter what they go on to do. We should not get fixated on building entrepreneurs. That will come on its own.

Now that the programme is under way, it just will not stop. Someone said that the programme will end in 2004 but, to be quite frank, that will happen over my dead body. After all, it is one of the answers to the current situation. Indeed, the great thing that the committee should take away from today's evidence-taking sessions is that Scotland has found an answer and that it is a world first. People in the country should feel very proud of that. We receive inquiries about the schools enterprise programme from throughout the world.

When I spoke to the Executive about the programme, I said that there was no point in introducing it in primary schools and lifting kids' self-confidence and horizons only to drop them like a tonne of bricks when they get to secondary school. As a result, I am delighted to say that we have introduced something that will act as another foundation in secondary schools to ensure that we have a continuum and some joined-up thinking on the matter. That is a fantastic step forward.

In my opinion, the Scottish Parliament should be praised because if the powers were still with Westminster, we would still be wading about in the treacle. One of Scotland's great strengths is that it is small enough to act quickly. If Scotland was a business, it would be a small business, but that would be great, because small businesses have a lot of advantages. They are nimble, quick and flexible and that is how Scotland has to be.

I have been greatly encouraged by the speed with which the Scottish Executive has taken those ideas on board and made them happen. [*Interruption.*] Annabel Goldie is laughing because she does not often hear me praise the Scottish Executive.

Miss Annabel Goldie (West of Scotland) (Con): I am just telling Mr Neil not to get too excited by your blandishments.

Tom Hunter: As we all know, there have been improvements, and we must give praise where it is due. The document "Determined to succeed—A Review of Enterprise in Education", which we launched this morning with Jack McConnell and Jim Wallace, is another part of the foundations.

In Scotland, we should be proud of such programmes. It is going to take a lifetime to change but we must start somewhere. The good news is that we have started—it is happening. You can see that in the kids who spoke today. How many kids would be confident enough to come to the Scottish Parliament and take all those hard questions? That was fantastic.

I gave the committee a paper and I take it that you have all read it.

The Convener: Yes.

Tom Hunter: I have spent a lot of time thinking about this and Ewan Hunter, who heads up my family's charitable foundation, is dedicating himself to finding best practice around the world and bringing it back to Scotland.

I am happy to answer any questions.

The Convener: I will allow questions after everyone has given their introduction. I thank all four of the witnesses in advance for their submissions.

Chris van der Kuyl (VIS Entertainment): I wanted to bring out three key themes in my paper. The first is to do with lifelong learning. I remember my first day as a first-year student at the University of Edinburgh. I had been cosseted through school and spoon-fed through all my exams and all of a sudden, I walked into a lecture theatre with 200 to 300 other guys—they were all guys because I was studying computer science, which was the geek course. We were told that everything that we were about to be taught in our first year at university would be obsolete by the time we left university, because of the speed of technology. We were all aghast at that, but the professor then said that we were really there to be taught how to think and learn. That experience was my first real understanding of lifelong learning. We were not there to absorb facts and regurgitate them; we were there to put a structure around how we think.

That is not to underestimate the value of core skills. None of the kids who were at the committee today would be able to perform their enterprise without very solid core skills in maths and communications. However, the whole experience that wraps round those core skills will give them an idea of how connected education is and that it is not just about getting to the next stage of the exams. That is incredibly important.

Tom Hunter's theme was about what enterprise means. It is not all about starting businesses; it is about a new way of thinking and learning for those kids. A lot of people have the confidence and

ability—some might have them naturally—but we are talking about a way of encouraging everyone of all academic abilities to feel included and that they can make a difference.

My second point is about aspiration and ambition, which are two key criteria for any society. We want an aspirational and ambitious society, otherwise we will never get anywhere.

I take a slightly different tack from Tom Hunter. I might even say that he is wrong about Scotland having a dependency culture. Although he is right that there was a dependency culture for about 100 years, before and during the 19th century, we had the most entrepreneurial society that the world has ever seen. We all know the famous role models all the way through history up to people such as Andrew Carnegie who did incredible work in enterprise and as entrepreneurs. We misplaced that for a while. Through two world wars and all that those entailed, we built a culture that was far too dependent on the industries that Tom Hunter mentioned.

15:00

For me, it began 17 years ago. I was in my fifth year at school, and I was one of the first kids in Scotland to go through young enterprise. All this time later, I now chair Young Enterprise Scotland. That organisation, along with the schools enterprise programme and the others that we have heard about, are starting to make a difference. Young Enterprise Scotland delivered a quarter of a million training hours to kids in enterprise education, and that is only one organisation.

I agree with Tom Hunter that the programme will not be a fix for a year or two—it will take a generation for changes to happen. We have to start somewhere, pull together and focus. The document "Determined to succeed" is a fantastic beginning. It almost feels as if Young Enterprise Scotland and all the things that we have done until now have been like small islands in a sea in which there was none of this thinking. Now, everything is starting to join up and we are starting to see how we can proceed.

A partnership will be necessary to follow the process through. That will not be up to the education department, the enterprise and lifelong learning department or the Scottish Executive; it is up to the whole nation. I think that I can speak for Tom Hunter when I say that we want to tell the committee that it is not alone. We are prepared to work and put in the effort and time to find ways to make the idea permeate through every alleyway and area of our society that it possibly can. We will see dramatic changes over the next 10 or 20 years. Start-ups will begin to come through more often but, more important, we will see a more ambitious and aspirational Scotland. That is what we all truly want to see.

Stephen Rattray (mmpg.net): It was interesting to hear the kids say that they got £10 and £20 sponsorship from their parents. That is similar to my situation. I had to leave work to start my business, because there was no support whatever. I gave up any right to unemployment benefit because I had to leave work. I spent three months developing a business plan. It was not definite that the business would start, let alone work. If I had not started it, I would have put myself in financial dire straits again. There is no support for those of us who start businesses, and we need support in the first instance.

As you can see, my last name is Rattray and not Hunter, so my family could offer me only accommodation; they could not offer me any financial support. For the first two years of my business, I had to live at home. I am now just over two and a half years into the business and I still have to live in a house that my parents now own. I still cannot pay myself a weekly wage because ultimately I have to put so much into starting the business.

I hope that the committee has had a look at my business's basic core. In the first three years of its existence, I have to sell advertising, but no one will pay for advertising unless a set standard is developed. Therefore, I am living on the back of my parents, basically with no income. I have not one, but two degrees and, at the age of 27, I am earning less than the majority of people aged 16 or 17 who leave school and work in call centres.

There is a severe lack of support from banks, and one has to have a business bank account. There is also a lack of support from the likes of British Telecom—one also has to have a business account with companies such as that. Those accounts and services are no different from ordinary bank accounts or telephone systems, but they cost more. There are no benefits in going it alone in a business over being an individual without a business, yet we have to go through that.

There is no incubator system. If I wanted to expand, it would cost me too much. Moray, Badenoch and Strathspey Enterprise—MBSE—has free office space, which is being vandalised. Six or seven businesses could be employed there or given rent-free office space if there was an incubator system. It would cost me money to go there, yet the space is just sitting there, costing MBSE money to replace windows that have been knocked out. The situation is frustrating. I am struggling to speak, which I do not normally do, but I am angry.

Enterprise companies in my area often say in the newspapers, "We have just given £5 million to

build an office that will employ 200 people." That is great, but two or three years down the line, the company, which might have come from France to set up a call centre and which will pay people £6,000 to £7,000 a year, leaves because the money was a two or three-year deal. The office will have been completely misused while other companies are struggling.

Baxters and Walkers, which are only about 10 miles away from where I am based, have been built up from family firms into international businesses, but there is no definite support for small businesses in the area. Rather than £3 million to £5 million, £50,000 would be enough to set up small family firms for two or three years. Such firms might go on to employ thousands of people during the following 100 years, rather than 200 or 300 people for two to three years.

Tom Hunter mentioned that there is no point in short-term fixes, but that seems to be what the enterprise companies do. They say, "There you go—there is £3 million to £5 million. Wow—we have created 300 or 400 jobs." That is great, but what happens two years down the line? It is about time the enterprise companies started to consider the potential of smaller companies.

The PSYBT is superb—it took the time to send three or four people to listen to us. The PSYBT does not say, "If you can tick this box and that box, you can send us something." I do not have the time to do that—I work on my own, seven days a week, so I cannot fill in the boxes and produce a standard report. If the enterprise companies took the time to sit down with me for an hour, they would understand my business and its potential.

Support from banks is non-existent and the technological support in my area is non-existent. I have no chance of getting broadband because even if everyone in the exchange wanted it, there would not be enough people to make it viable for BT. We also need incubator systems, which I have mentioned. The enterprise companies want to look good and to say in newspapers, "We are giving this much to create this many jobs", but they do not focus on the needs of the community.

Graeme Semple (Scottish Paintball Centre): I will give a wee introduction about how I came to be in business. My two partners and I have been in business since October 2000, when we set up the Scottish Paintball Centre. Although the company is only two and a half years old, the business plan was written by one of my partners in 1993, when we were at college. I am only 28 and I left school in 1992, which is not a lifetime ago, but I agree with Chris van der Kuyl that when I left school we were dealing with old certainties. If people got decent results at school and a degree, they would get a job for life, or at least a job for longer than we could be guaranteed a job today. There is a lot less certainty now about conventional employment.

Unlike Chris van der Kuyl, when I was in fifth or sixth year at school, I did not have any real idea that I would start a business. A combination of my circumstances and my partners' circumstances and my desire not to do the job that I was in four or five years ago drove us to start the business. In the year leading up to us starting trading, my partners and I were on jobseekers allowance, which created problems. We had to pay direct debits for car insurance and adverts from our £54 a week. The business would not have been created unless we had girlfriends, families and personal credit to pick up the slack.

Two themes have become familiar to the three of us in the couple of years since our business started—our experiences with Scottish Enterprise and the PSYBT, one of which was broadly negative; the other of which was definitely positive. The situation with Scottish Enterprise in the nine months before we started trading was very much a chicken and egg one. We were confronted with a bureaucratic system that involved a lot of duplication. For example, before we started trading, the three of us lived at separate addresses and stayed with friends—one of my partners lived in Sighthill. When we fed that information and information about the proposed site for our business into the Scottish Enterprise network, it could not cope, because it is governed by exact postcode boundaries. That was frustrating because we needed only minimal support—I am talking not about handouts, but about support that was not based on geographical lines.

On the other hand, the support that we had from the PSYBT was characterised by its seamlessness. We produced a business plan when we had the idea—we came up with it many years before. Our original business plan was funded through a £5,000 low-interest loan from the PSYBT and £3,000 came from the mother of one of my partners. In the absence of help from Scottish Enterprise, we turned to the PSYBT for support. Another characteristic of the PSYBT is that the guy who picked up the phone when we initially called is still with us two or three years down the line. With each passing year, he learns more about our business and the relationship and support have been strengthened.

Stephen Rattray talked about banks. They are very risk averse and I do not suppose that what we say today will turn that situation around. We have had two business bank accounts in the past three years and we have come up against a lot of scepticism. Given the level at which my company trades and given that I get paid for only seven or eight months of the year, it is difficult not to be

cynical when banks post profits in excess of £1 billion. The turnover of our business, which is between £100,000 to £150,000 a year, is a drop in the ocean in the great scheme of things. That is frustrating. Our experience of the initial charges that banks apply has not been good. It would be nice to try to turn round those issues.

To try to put a more positive angle on things, our experience is that the continuity in PSYBT is a model. I back up Stephen Rattray's point about the PSYBT's approach, which seems to be more about taking a chance and meeting the people who are involved. Those features have been repeated in all the contacts that we have had. Tom Hunter helped to create the growth fund. Until last year, the maximum amount of cheap money that the PSYBT would lend to back a business was £5,000. We were fortunate enough to be the third or fourth business that was approved for receipt of money from the growth fund—we received a £25,000 low-interest loan.

I will close on a note that is positive and negative at the same time. That loan has moved our business forward a lot. We have introduced a new service that is a first in Scotland and which would not have happened without the money. The culture among banks and perhaps in the enterprise network community seems to be one of believing that the growth fund and all that it represents are not necessary and that businesses of the scale of my business and Stephen Rattray's business do not need such support. I back up the point that the growth fund support was well appreciated. I hope that we will continue to use it.

The Convener: I open the meeting to members' questions. As we have four witnesses, it would help if they could keep their answers reasonably sharp, as I am sure that members will keep their questions sharp.

15:15

Miss Goldie: That was a salutary warning.

Good afternoon to the witnesses—it is nice to see you. I declare an interest as a member of the board of the Prince's Scottish Youth Business Trust. I was struck by the submissions and by what you have said. Tom Hunter's paper refers to money from friends and family and to a possible funding gap. It says that

"research into … micro-credit should also be conducted."

Will you expand on that? Who would provide micro-credit and which businesses would receive it?

Tom Hunter: In America, businesses get off the ground through what are called the three Fs—friends, families and fools. In Scotland, that is not natural. In America, business is talked about round the family table and in pubs or bars. That is not natural in Scotland, so we need to provide a kick start.

We have heard from Stephen Rattray and Graeme Semple about the level of support. I know that banks are criticised, but lending money at such levels is not what banks are about. I started with £5,000 from my dad and an enterprise allowance for unemployed people. That legitimised doing the brooing, because plenty of people signed on while they were trying to earn. Chris van der Kuyl received that allowance, too. The number of people I have met who received it is amazing. The allowance provided broo money in somebody's first year of business. When I received it—that was a few years ago—it was £40 a week.

Like Annabel Goldie, I am a director of the PSYBT. We have tried to address funding at the level that we are discussing. When Graeme Semple wants to go to the next stage, banks will not consider his proposal. We should not criticise the banks for that; we must sort out the situation in another way. The PSYBT—Mark Strudwick, its chief executive, is here—started the accelerator fund, which has been a real boost for such businesses, and there are plenty of government funds around.

What we are discussing is risk money, which those involved must be prepared to lose. The hope is that, with businesses such as Graeme Semple's, more will be won than lost, but until that gets into the system and the idea of friends, families and fools becomes part of our society, we need to provide an artificial kick start.

Miss Goldie: I suppose that it is risk money in a sense, but if it follows a proven record of survival for two or three years, it might be argued that the risk is at least quantifiable and that what the capital will be used for can be properly assessed.

Tom Hunter: The Scottish co-investment fund has missed a trick. The sums of money involved are relatively small, but committee members—apart from Annabel Goldie—have no idea how much these guys fight for the money. The amount of work that guys such as Stephen Rattray put in astounds me. They work for little for long and try to juggle their credit cards and take credit wherever they can. We have to reward that somehow, and to make things a little bit easier for them. We are not talking about huge sums of money, but it would make a huge difference to them.

Miss Goldie: That is very helpful. That has answered the main thrust of my questioning. I am very struck by what Tom Hunter has said.

Brian Fitzpatrick: I have great empathy for people who go from one job to another and find that banks that would not lend them anything or

give them a break on their mortgage one year want to give them an overdraft of a hundred grand the next. That seems to indicate something about the nature of banking in Scotland.

I welcome the steps that have been taken to augment the funding for enterprise education. I am sure that the committee shares that appreciation. We have reached a kind of Carnegie moment, in that we are seeing that education is the right route to go down and are attempting to establish how best we can augment what is going on in education.

One issue is how better to support inspirational teachers—this applies particularly to head teachers. We saw an inspirational teacher here today and, when I go round schools in my constituency, I know who the inspirational teachers are—I meet them. I am delighted to hear what you say about culture change and about digging in for the medium to long term. There is no silver bullet; it is about a series of deliberate decisions, which can be expanded upon.

Earlier on, Ken Macintosh picked up on a point that I found worrying. I think that Scotland is a great place for children to grow up until the age of about 12, then something happens that kicks the life out of people. It might just be the transition into secondary school, and I am only saying this from anecdotal evidence, but I think that something goes wrong around that age.

Perhaps we are seeing some seeds of change in that regard, given what the children were saying to us earlier, but I would warmly welcome the witnesses' views on that. The question is partly about how to expand business involvement, taking on board what staff and today's witnesses have said. They view involvement in business not as something discrete that might last just a week, or as something that they might do for a couple of periods of personal and social education a week; rather, it is built in.

Finally, I apologise on behalf of the committee for the bizarre arrangements today. The fact that we bring you along here and do this daft Perry Mason routine shows how institutionally incapable we are of bridging the gap between government and enterprise. It strikes me that we have to find a better way of doing this. I welcome any views you may have.

The Convener: I will not tell you which one of us is Della Street, by the way.

Chris van der Kuyl: On the gap between primary school and secondary school, it is obvious that, when kids become young adults or teenagers, they desperately want to fit in. Kids run a risk of being ostracised for anything that is seen as out of the ordinary or a bit weird. They want to be wearing the same clothes as the others and so on. If children do something that is not seen as obvious, or is not something that everyone does or thinks about doing, then it becomes akin to a minority sport and can drift off into oblivion. That is a key reason for what Brian Fitzpatrick was referring to. We can change that only by encouraging every child to think that entrepreneurial behaviour is a natural thing.

On Brian Fitzpatrick's second point, education is the centre of the universe when it comes to making the change. Tom Hunter put that point well in his paper—education is the beginning and the end of it. Brian was correct in his comments about key teachers or star teachers. It is not the case that there are no fantastic schools; there are. We were at Trinity Academy in Edinburgh this morning. Enterprise is imbued in the culture of that school, and permeates down from the level of the rector to all staff. We have to find a way to take those centres of excellence and best practice and spread the word.

Education is a huge area. There are the recently started education awards, for example, which at least pay lip service in some ways. The idea of streaming teachers and awarding them for greatly improved performance is key. As Tom Hunter's paper says, it is critical that we lift teachers to the heights of the medical profession or the legal profession and even past that. Teachers are the only people who will turn this nation into the one to which we all aspire and which we all want. If we truly hold that ambition, the quality of teachers must increase commensurately.

Stephen Rattray: Brian Fitzpatrick talked about 12 being an important age. That fits in with when pupils choose their standard grades. The day that pupils choose their standard grades, we lose about two thirds of the people in school. They realise that they will have to sit through classes for two more years and that they will come out with nothing better than 4s, 5s, 6s or 7s—if those are still the levels for standard grades—and you have lost them. They will leave at 16 and that is it. The next few years are of no interest to them.

Perhaps we should consider the old system of giving them woodwork and stuff like that. I mentioned plumbing. In Glasgow, they have started to introduce plumbing in schools because there is a shortage of plumbers. The idea behind that is not as bad as it seems. Apprenticeships have been taking a bit of a beating, but if we could keep the two thirds of pupils who will leave with virtually no qualifications at school until they are 18, and have them leave with a time-served apprenticeship, in addition to two highers and having learned about enterprise throughout those years, they might come out not as plumbers, but with an idea of the business of plumbers, joiners and carpenters. They will know about the scheme

of things out there. They would not just leave to be picked up at half-past 7 by some guy who says, "Right. We'll meet you at half past seven; get oot here," go along to hammer a few nails, read *The Sun* and go home. When pupils go into a job at 17 or 18 they should know what the boss is doing, why the boss is doing things and what the opportunities are for them to make progress in the future. They should know about what they can learn over the next two to three years.

Our education system is outdated. Computers changed the world during the time that I was at school. When my dad went to school, he took a slate and a slate pencil. That is ridiculous to me. To my children, it will seem ridiculous that I took a jotter and a pen to school, because everybody will take computers. We must consider that and start opening up schools and universities.

Universities still trade in the old standard curriculum. The university of the Highlands and Islands has started up out our way. I have no idea who is making the decisions behind that, because they are not asking young people what the future is when they put the money in. They are not looking at the likes of the Massachusetts Institute of Technology in Boston, which is making money through the university system and going into expanding businesses. They are just looking to have a central base so that they can say, "Oh, look—we've developed a university of the Highlands and Islands. Haven't we done a lot?"

The four of us who are giving evidence to the committee have been given half an hour, but if committee members took the time to sit with us for a day—and paid us; I know that you boys are getting paid for this, but I will not get paid a day's wages for this—and listened to what a few of us have to say, you might have a better idea of where you could take things.

The Convener: I will address the latter point. The committee has evidence sessions such as this and we meet people such as Tom Hunter, Chris van der Kuyl and others all the time, but there is no way of feeding the policy in generally to the Parliament. We have been talking to Jack McConnell, as the First Minister, David Steel, who represents the Parliament, and other parties, because we hope to get a Holyrood business summit off the ground. That would involve front-line business people—not what I call the private sector bureaucrats, but front-line business people—coming to say it as it is and helping to set the agenda. It is based on the model of the White House business conference in America, which meets every four years. We hope to do the first one in the new Parliament building next May. The idea is deliberately designed to tackle the particular problem that you mentioned. That is an aside, but it is an important development, which would create a conduit between the business community and the parliamentarians who set the legislative agenda.

15:30

Brian Fitzpatrick: It is important to think about the next steps. We already have a standing invitation from Columba 1400, and it strikes me that the recess will give us an ideal opportunity to consider whether we can get a commitment to working together. There could be quite a happy marriage with what is going on with Columba 1400 on entrepreneurial leadership. Those of us who are elected to serve again could explore that avenue.

Andrew Wilson: We appreciate the six-hour round trip that Stephen Rattray has made. The evidence from all four witnesses has been first class, and picking through what we do with it is the big challenge. Tom Hunter and Chris van der Kuyl opened with the big question that has exercised me for many years: what is at the root of all this? I do not think that they disagree at all. They are both correct, as something did happen in the 20th century that removed entrepreneurialism. The growth of a number of different policies, all of which were correct in their own time, has left us with what we have now inherited.

I believe that Stephen Rattray is from Elgin. Is that right?

Stephen Rattray: I am from a small village just outside Elgin.

Andrew Wilson: My question is for Tom Hunter. If you are right, Tom—and I think that you are—that would suggest that rural areas such as Elgin have a little more entrepreneurialism about them. They will have a higher small business formation rate and more people moving into small businesses or into employment with smaller outfits than is the case in urban areas, yet, ironically, a lot of the institutional or communication network support is worse in the areas where we have the biggest potential. I say that as a central belt MSP; it is just an observation. What do you think of that? Is it a problem across Scotland or is it pocketed? Do we need different approaches in different parts of the country?

My second question is for Chris van der Kuyl. I am a former bank economist—Stephen Boyle, who will be joining us in a wee while, used to be my boss. You are right to express your frustration, but knowing about the history of Scottish banking should prompt us to ask whether the banks are behaving rationally. They are making big profits, so they must be doing something right. From their shareholders' perspective, they must be balancing their spread of risk and return pretty well. In the 19th century, the banks were funding the people to

whom Chris van der Kuyl referred with really risky bank loans. There must be something more in the mix that we are missing, and maybe there is a role for public sector intervention at that point.

My final question is about the public sector. Is it too big or too small in Scotland? Is it getting in the way or not?

Tom Hunter: Perhaps I can do an MSP trick and respond to your question by giving the answer that I want to give even if it has nothing to do with the question.

I will come to your question, but everything begins with inspirational teachers. We can all remember a teacher at school for whom we wanted to do well, and we all remember the one who was just a nightmare. Ewan Hunter undertakes research with the Carnegie Corporation of New York, which has tracked that over a 50-year period. It does not take 50 years to tell you this, but the teacher is everything. That is why we put investment into getting the teachers on side in primary schools. The kids get it in a heartbeat, but the teachers take a wee bit longer. In secondary schools, we have a bigger challenge with the teachers because, frankly, their views are more ingrained. That is why we are taking a leadership course of teachers up to Columba 1400 to try to inspire them and get them thinking right.

You asked whether some pockets of Scotland are any worse or better than others are. That happens of necessity. As there were no coal mines in Inverness, there was no dependency there, so people had to take care of themselves. We see that through the PSYBT. The Highlands and Islands have a higher start-up rate because they need to.

Our core problem is a cultural one, and it is endemic throughout Scotland. We can put sticking plasters on it with help from Scottish Enterprise, but it is wasteful to put money into shoring up something that people do not really believe in in the first place. That is why we have to start at the beginning.

The question about the extent of involvement of the public sector is irrelevant.

I hope that I have answered your questions.

Chris van der Kuyl: I will take the banking question first. I had an experience similar to Stephen Rattray's. I started out with a Prince's Scottish Youth Business Trust loan of £5,000 and I got my mum and dad to guarantee a £10,000 overdraft—although I did not quite tell them at the time—which was my start-up capital for the business. Then I hit the wall. Mine was a software business and, unlike many other entrepreneurial activities, the investment period in that sector is generally a lot longer before we really start to see returns. During that period, I needed £25,000 to £30,000 in order for me to go to the next stage, but there was no chance that any bank would touch me.

The only solution that I could find then—I think it was in 1994—was to sell the business, or at least a big chunk of it, to bring in external investment and to become managing director, with someone else as the larger shareholder. That has worked for me, and we have invested from there. If there had been another route to go down, I would probably have had more equity in my business today, but that sort of problem has existed for a long time. The PSYBT has an excellent solution to the problem in the form of the high-growth fund, but we need more than that.

I share Andrew Wilson's and Tom Hunter's opinions about the banks; I do not think that the problem is necessarily one for the big banks to come and solve because they currently do an amazing job. The banking sector in Scotland is probably the premium sector in terms of the value that it adds to the economy. The banks are tremendous businesses; for example, the Bank of Scotland is the only bank in the world that provides a specific kind of debt finance to the games industry, which it does through us. That means that we will, in the next couple of weeks, announce the highest profit margins of any company in the world in our sector. I put a good chunk of that down to the fact that the Bank of Scotland took a major risk; nobody else in the world would have taken such a risk.

The banks are entrepreneurial—but not at the £25,000 or £50,000 level. The bank told us, "Well, you only want to do a couple of million. We would rather round that number up and make it £20 million, which would make it a bit more worth while for us." There is a mismatch of quantum; it is not necessarily the case that there is a non-entrepreneurial focus. The Royal Bank of Scotland's takeover of NatWest only goes to show how entrepreneurial those businesses can be, but we need to get the scale of the thing into perspective. If we could bridge that gap, that would give us the most tremendous opportunity to provide springboards for our businesses. Tom Hunter would happily tell you that a big chunk of the success that he found at Sports Division was down to the backing of the Bank of Scotland and to the real entrepreneurial spirit there. At the right level, the opportunity definitely exists; we just need to work a bit more on the gap.

Graeme Semple: I support what Chris van der Kuyl just said: it is a matter of scale. Over the past few months, my partners and I have become involved in the Entrepreneurial Exchange, which is a relatively small networking institution in which Tom Hunter is involved quite heavily. I recently

went to one of its events, and one of the speakers there had set up a business in the 1980s. He said that, between the light bulb coming on and his starting the business, it took him three months to convince the Nationwide Building Society to give him £600 million. During the questioning at the end of the event, I asked him what advice he would give to someone who wants to ask for £600 million, and he said—this backs up what Chris van der Kuyl said—that it is probably easier to get £600 million than it is to get £6 million.

I am sure from what Chris van der Kuyl said about the risk that the Bank of Scotland took on his business that the banks' behaviour is not risk averse; it is all about scale. Although the sums of money involved are quite small—we are talking about the difference between £5,000 and £10,000 or even £10,000 and £20,000—those jumps are considered very differently by the banks.

Andrew Wilson: Can I ask a question?

The Convener: Can you make it very quick because I need to give David Mundell and Ken Macintosh a shot as well?

Andrew Wilson: I will come back to the question later.

David Mundell (South of Scotland) (Con): Tom Hunter spoke about attitudinal changes, especially at school. Was the situation summed up when Lisa Naidoo from St Helen's Primary School said in answer to the question about what job she wanted to do that she wanted to go into medicine? Are we caught in a culture in which, despite what they do at school, when children go home and tell their parents that they want to start up a business, that is not regarded by their parents as being worth while compared with going into the professions or to university?

I want to ask Stephen Rattray and Graeme Semple in particular whether friends and family were generally supportive or whether they thought that you were mad. I want to know how people reacted to Stephen when he gave up a secure job. Despite what you might think, I assure you that my mother thought that I was mad to give up a secure job to become an MSP.

Graeme Semple: People to whom we are close—girlfriends, families and friends—came up with the goods. The mother of one of my business partners, Alan Murray, in particular gave us quite a bit of money—twice, in fact. We received quite a lot of support. However, I accept the point about getting good grades, going to university and then straight into a job. In the short term, in the current climate and given the current culture, setting up one's own business is risky, because not everyone ends up with the success story that they want. I do not know about Stephen Rattray's experience, but I had the full support of everyone who is close to me.

Stephen Rattray: My mother still tells me to stop. She still tells me, "You're nae making enough money," and that sort of thing. The parents of the lassie who said that she wanted to go into medicine might tell her to go to university and get a good job, but in 20 years she will be a parent and if changes are not made to encourage kids such as her to do entrepreneurial things, the next generation will have the same problems. My parents tell me that I should be doing something else, but I do not think that I will say that to my children.

Chris van der Kuyl: It is fantastic if children want to do medicine, law or accountancy, as long as they have enterprise etched on their brains. Some of the best entrepreneurs in the world have to go through full degrees, post-graduate degrees and become researchers until they get their idea. David Lane, who works in cancer research at Dundee, is one of the most fantastic examples of that—he is a tremendous entrepreneur, but he is also a professor at the University of Dundee and a member of the faculty of medicine. People need different skills depending on the kind of business that they go into and going into further education is not a barrier to starting a great business.

Tom Hunter: The answer to David Mundell's question is that we do need attitudinal change. Cultural attitudes come in waves and the more entrepreneurial role models we have, the more acceptable becoming an entrepreneur will be. The current wave started 10 years ago and it is still gathering speed today, although there is still some way to go.

The Convener: It is worth pointing out that the entrepreneurship monitoring report that was published last week by the Hunter centre for entrepreneurship—it was mentioned in somebody's submission—says that Glasgow is now producing the highest or the second highest business start-up rate in the UK.

Tom Hunter: I would like to take the credit for that report, but it was not by us.

The Convener: There was some report about the matter, anyway.

15:45

Mr Macintosh: I thank everyone for their contributions so far, especially Stephen Rattray and Graeme Semple for their illustrations of the difficulties that face early business start-ups. You have identified a number of problems, including the artificial geographical boundaries between regions and the expense of using banks for business start-ups. You also highlighted the difficulty of—or the lack of—benefits or jobseekers allowance for those who are starting out in business. There are also issues related to the rural infrastructure.

Across the board, the PSYBT has so far come out well and seems to get a big thumbs-up from everybody. Family finance also seems to be a running theme; witnesses' families have supported them and provided them with some cash. I note the comments of Tom Hunter and Chris van der Kuyl about inspirational teachers and the young entrepreneur scheme. I have a question for Stephen Rattray and Graeme Semple. Did either of you become inspired to go into business because of an entrepreneurial scheme at school or through any kind of support network at primary or secondary school that brought out the entrepreneurial spirit in you?

Graeme Semple: I do not want to sound negative, and I am perhaps contradicting what Tom Hunter and Chris van der Kuyl said, but I do not think that that was the case. I left school in 1992 and my motivation for setting up my business was not to make a fortune; rather, it was to be in control of what I was doing and to have the respect of my partners.

The three of us are generally reading from the same page when it comes to the direction of the business. We blur the lines between friendship and business and the main reason for our being driven to get involved in the business was our dissatisfaction with the jobs that we had. Two of us had become unemployed—essentially, we had made ourselves unemployed—and the third guy had a reasonable job but was facing redundancy; our circumstances dictated our actions. It was certainly my circumstances that drove me on. I am referring to 1999 because there were more than six years between my leaving school and setting up my business.

People need continuity and to be aware—as Chris van der Kuyl and Tom Hunter said—that it is not just a matter of leaving school, a light bulb coming on and then you start up a business. It is also to do with where the fault lines in the education system are.

Stephen Rattray: I went to a rural school and projects such as the one that we are discussing tend not to be rolled out first in rural areas. There was never anything at my school to fit that model. I cannot remember whether I put this in my submission, but 90 per cent of the guys who report on matches are between 16 and 18 years old. I approached schools in Wick, Fort William and Kincorth in Aberdeen and all the places in between directly in order to get school kids who would go along to games. Reporting on matches gives them genuine intellectual work experience, and they get to meet me as a businessman. Many of the young people ask me, "Do you really run your own business?" They think that it is strange to see someone who is not much older than them doing that. When they go to the football grounds, they meet the main local businessmen in the area, who are spending some of their cash.

Learning in school can help to instil confidence in young people. They can be persuaded that no one is above them, even those who are older and have better jobs. We refer simply to "Tom" and "Chris", for example, who are—at the end of the day—just the same as everyone else. I have tried to put that idea back into my school. The school might not have had the infrastructure when I was there, but I and the schools enterprise programme can perhaps help with that in the future.

Mr Macintosh: A number of points are made in your written submissions, which are there for us all to see and learn from. Tom Hunter mentions in his submission that friends and family investment has declined. Everybody here has benefited from friends and family investment. Is it the case across the board in Scotland that families are unwilling to back their offspring?

Tom Hunter: Yes. That is in the context of the Global Entrepreneurship Monitor—GEM—report. Such investment is monitored through the centre for entrepreneurship at the University of Strathclyde. Friends and family investment has declined from last year; that is the baseline. When we measured such investment this year, less was going on than there was last year. That is all that what I say in my submission means.

The Convener: I have been involved in business start-up for about 20 years and I started up my own business. I became involved with the PSYBT back in 1988. The PSYBT in Scotland and its southern equivalent, the Prince's Youth Business Trust, started off across the UK with £80 million. Essentially, £40 million was raised through the efforts of Prince Charles, which the then Secretary of State for Employment, David Young, agreed to match pound for pound. The investment was £40 million on either side because it was the prince's 40th birthday. It is now a revolving fund. The PSYBT is way ahead of the PYBT south of the border. Obviously, the level of funding available to an applicant has been £5,000 for a long time: it is not a lot of money with which to start a business.

It always struck me that it would—instead of having all the local enterprise companies, the co-investment fund and all the rest of it—be sensible to have the equivalent of the PSYBT for those who are over 25 years old. The PSYBT does not have bureaucracy—businesspeople are involved voluntarily in assessing the business plans. Aftercare in the PSYBT is 10 times better than anything that I have seen in any other organisation. Stephen Rattray and Graeme Semple talked about the problems that they have faced but, if we change the culture, the demands from the Stephens and Graemes of the next

generation will be far greater than the demands of this generation. There is no point in changing the culture but saying that we cannot provide the mechanisms and money for start-up. Are you thinking along the same lines? Do you think that we need to take the bureaucracy out of the system?

Tom Hunter: One of my great themes is duplication. We do not need to reinvent the wheel; we just need to give the funding to the PSYBT. It knows what it is doing and its track record is second to none. We should take £50 million out of the Scottish Enterprise budget and give it to the PSYBT. I cannot wait until Prince Charles is 100 years old; we might get £100 million out of him. We can put those thoughts to the committee but, to be frank, businessmen get disillusioned when such plans disappear in the treacle. I praised the Scottish Executive for doing what it has done on education. [*Interruption.*]

The Convener: Will the person whose phone rang please switch it off?

Tom Hunter: We must act decisively and boldly and we must take a few risks along the way. As I said earlier, if we always do what we have always done we will always get what we have always got, which is not good enough. We have the answers. Mark Strudwick, who is in the public gallery, is chief executive of the PSYBT, which is a fantastic organisation. Annabel Goldie and I sit on the PSYBT board. If the PSYBT was given the money that is available from elsewhere it would not be extra money, but it would be money that was being better used and better focused. The PSYBT has a system and it bloody works.

The Convener: It was brilliantly set up.

Tom Hunter: It is not what you know; it is what you do. If you know how to do it, just get on and bloody do it.

Chris van der Kuyl: At a meeting in Israel a couple of years ago I met the Israeli equivalent of Robert Crawford, the chief executive of Scottish Enterprise. Israel has a tremendous start-up rate and is an incredible worldwide player in high technology. There are obviously lots of reasons for that. I was amazed to find out that her budget—which is almost equivalent to Scottish Enterprise's budget, for a country that has a similar population—is wholly focused on starting up and building indigenous business. That goes back to what Stephen Rattray said earlier about there being 10 or 20 years of fake inward investment, after which Chunghwa Picture Tubes (UK) Ltd and others rapidly headed for the hills. There are some fantastic inward investments; I am thinking of the value that has been added in National Cash Registers in Dundee, for example. What the ultimate parent company is does not matter; the issue is the effort that is focused on the quality of the business that is being invested in.

Scottish Enterprise has done some tremendous work in the past few years and Robert Crawford must be commended for taking on an incredible challenge and doing such a great job. However, I am always maddened when I hear about more elements of Scottish Enterprise's budget being passed on to retraining, for example, and dressed up in whatever way possible, whether the funding is for bits of the McCrone settlement or God knows what else. Such money should be focused on building business. I echo what Tom Hunter said, but the amount should be much more than £50 million. The key issue is that the whole budget should be focused on building business and not on building walls.

The Convener: One strength of the PSYBT is in the proviso that money must be matched pound for pound by the private sector. Such matching results in a commercial edge that might not exist if the money is all public money.

Chris van der Kuyl: Such a condition would be fine—we would find the private money.

The Convener: Is that a commitment?

Chris van der Kuyl: We will find the money.

Miss Goldie: It will not be a surprise that I pretty well totally agree with what Tom Hunter has said. However, should not people other than politicians engage in the debate? You are aware that I am fairly candid in expressing my views, but I have found that the business community is reluctant to put its head above the parapet. It is refreshing to hear what Tom Hunter said, but should a debate take place in the business community in Scotland on what it thinks would be in its best interests before it seeks to inform the political process? It seems that, post-devolution, Scotland is a small village and some sectors of the business community have become almost protectionist in preserving their territorial positions.

Tom Hunter: Annabel Goldie is probably right. The issue probably goes back to business saying that such a debate is not bloody worth it, because nothing is ever done. I praise the Parliament for the experience that I have had in getting education and for getting on with things. When more businesspeople have more positive experiences, that will have a snowball effect. However, I caution against big presentations with many businesspeople—if they simply talk shop, we should forget it. A small group of committed people is probably what is needed. Not every businessman is committed to such an approach, although that is not wrong, because they are too busy building their businesses. However, there are people who are committed to that approach. If business feels that the Executive has a real will to

make things happen and businesspeople see things happening—which is the key—business will be engaged, although getting every business engaged will never happen.

The Convener: It is unfortunate that I must end the discussion there: we have had another fascinating meeting. I suggest that we recommend in our legacy paper that our successor committee discuss after the election how to progress the issues that were raised during the first session with the kids, and in the subsequent session: we do not want those issues to disappear into the ether. Many points have been made and many good ideas have been outlined, which the Parliament needs to follow up. I hope that the successor committee will return to the witnesses and follow up on those ideas—we will certainly recommend that. The discussion has been extremely helpful. I thank all four witnesses for taking time out of running their businesses to come to talk to us.

Future Skills Scotland

16:00

The Convener: Agenda item 3 is Future Skills Scotland. I let the previous discussion run on deliberately, because it was fascinating. I welcome Stephen Boyle, who is the director of Future Skills Scotland, from which we received quite a lot of evidence either directly or indirectly during our inquiry into lifelong learning. Further documentation from Future Skills Scotland has been circulated to us today, and that has been extremely helpful.

Stephen Boyle may say a few words by way of introduction, before we move on to questions from around the table. I apologise in advance that the time scale that we originally anticipated might need to be squeezed. I need to get to item 4, and we are gradually losing members—you can tell that it is only a few weeks until the election.

Stephen Boyle (Future Skills Scotland): I thank the committee for its invitation and for the interest that it has shown in our work. The committee's report into lifelong learning sees Future Skills Scotland as contributing to a successful lifelong learning strategy. At its simplest, our contribution to such a strategy would be to help people and organisations make better decisions than they would otherwise have been able to make. We do that in three ways. First, we try to make information about the labour market more accessible to people. Secondly, we work with our colleagues in Careers Scotland to ensure that its staff and clients have the best possible information about the labour market. Thirdly, we analyse the labour market to inform the work of policy makers and decision makers.

My final point by way of introduction is about how we work. The committee's report emphasised the importance of coherence in lifelong learning in Scotland. For that reason and others, I value the relationships that we have developed with a range of organisations in Scotland, such as the funding councils, the Scottish Qualifications Authority, learndirect Scotland, the emerging sector skills councils, employers, trade unions and others. We will not do our job well unless we work with and through those organisations. It is all well and good for me to say what we would like to do, but we will not succeed unless we work with those organisations.

Again, I thank the committee for the interest that it has shown in our work. I will try to answer members' questions.

The Convener: Because he needs to leave soon and Stephen Boyle is his ex-boss, I will give

the first opportunity for questions to Andrew Wilson.

Andrew Wilson: I thought that the evidence was substantial enough.

In comparison with other sections of the economy, the labour market is one on which much information is available. First, will Future Skills Scotland's project to make that information accessible produce only long-term results or is it a short-term thing? Does Future Skills Scotland see itself being involved in the project for an extended period or is the project simply to kick-start the process of rationalising decision making?

Secondly, if Stephen Boyle were to pick out one conclusion from the initial tranche of research, what would it be? What does all the work that has been done since Future Skills Scotland started tell policy makers about where resources are currently being misallocated? Have the outputs of Future Skills Scotland made you aware of any obvious crying need to fill a gap that is unfilled because of the imperfect information that people had in the past?

Stephen Boyle: I agree in part that we know a lot about the labour market; we know a substantial amount about the supply side of the labour market. We know how many people there are and how many there will be. We know how many are going through the education and training system and what they are achieving. On the supply side, we are reasonably well covered, although there are gaps. However, until recently, there has been a substantial gap in our understanding of the demand side—in particular, there has been a gap in our understanding of what employers want and need and of what employers think the education and training system is not providing. We have made some initial steps to fill that gap, but more work remains to be done.

On whether the project is for the short term or the long term, I would say that some things can be addressed in a reasonably short time. One of the reasons why we were set up was to try to make information accessible to people. Within the next year or so, I hope that we will have gone about as far as it is possible to go in building systems that provide information to people—that work should be mostly done.

The analysis that is required to inform policy-making and resource-allocation decisions will be a continuing job. I am not saying that it is a job that we would have to do, but it must continue to be done.

Our initial research suggests that there are three lessons that we need to learn in relation to changing the balance of resource allocation. It is important to say that the research does not tell us that what the education and training system in Scotland has been doing until now has been completely misplaced; in fact, it tells us quite the opposite, but it also tells us that there is a need for a change of emphasis. First, there must be a greater emphasis on making the education and training system as effective at imparting softer skills as it is at imparting technical skills. Secondly, there is a need to stimulate demand for investing in people in the smallest workplaces—the smallest workplaces should be focused on fairly ruthlessly. Thirdly, it is necessary to focus on people who are in lower-skilled jobs, because it is in those jobs that employers report the most extensive skill deficiencies.

Miss Goldie: I might have missed something in your submission. My question is simple. I was interested in the definition of skills shortages and skills gaps, but I noticed that the criteria for determining them related to the labour market. In other words, it was the standpoint of employers and what they reported that determined such shortages and gaps.

I wondered about the broader situation in the economy. Surely it is possible that some skills gaps in the economy in parts of Scotland might not manifest themselves by reference to an employer. Let us consider the availability of electricians, plumbers and builders, for example. If the presence of a small number of businesses in an area satisfies those businesses and they are not looking to take on more people, that does not necessarily mean that the economy in that area is being fully supplied with what it needs. That explains why people in many parts of Scotland are frustrated that they cannot access a plumber, an electrician or a builder. How does Future Skills Scotland take that element into account in its work?

Stephen Boyle: One of the industries in which skills gaps and skills shortages emerge strongly is construction. That is a classic case of the anecdotes having a substantial basis in fact.

Let us start from the position that, by and large, the market economy is an effective mechanism for informing people and helping resources to be allocated. That means that if there were a strong pocket of demand for plumbers in a particular part of the country, for example, we would expect that demand to manifest itself by leading existing plumbing businesses to recruit more people or by encouraging more people to set up plumbing businesses. If either of those things happened, skills shortages or skills gaps would be revealed. The approach that we have taken should pick up any of those gaps or shortages that exist.

Brian Fitzpatrick: I hope that we all agree on the need for a Scottish labour market unit which, I suspect, is a necessary part of the architecture. I am happy to agree that we will adapt it as we go along.

I think that we have set Stephen Boyle impossible tasks, because what prompted us to have him here was what we said about tourism—I do not know whether the clerks shared that fact with him. In my view, which the committee shared, interesting material might have been forthcoming. I am grateful that we have been given data to support the anecdote on that area. That is important. I think that we invited Mr Boyle on a false premise.

I noticed from the work programme that a body of work is going to be done on graduate underemployment. Given what we heard in the earlier session, that is a core constituency. What was the thinking of the advisory group in going for graduate unemployment? Was it just to see what was out there, or was it with a view to coming up with some prescriptions that flowed on from whatever was found?

Stephen Boyle: First, the advisory group has not approved this programme yet—we are hoping to do so fairly soon—so this is a draft work programme, which has been discussed with most members of the advisory group.

Why have we identified graduate unemployment as an area of interest? We put the work programme together by consulting a broad range of partners and stakeholders. Graduate unemployment was one of the themes that came through strongly from a number of those partners and stakeholders in the higher education sector and beyond. You will be only too well aware that there is a lot of anecdotal evidence on graduate unemployment and what happens to graduates, but there is precious little evidence about where they go and what they do once they complete their courses of study. We thought that it would be helpful to try to inform that debate, given the importance that is rightly attached to the higher education sector in Scotland.

Brian Fitzpatrick: I take it that the programme has gone through the Scottish Higher Education Funding Council and the Scottish Further Education Funding Council. Where is the impetus coming from?

Stephen Boyle: It has come from a number of places. Interest in the issue has perhaps been voiced most strongly by the Association of Graduate Careers Advisory Services and the Scottish universities. If we proceed with the work, we will involve them and the funding councils.

Brian Fitzpatrick: I do not want to gainsay what anyone else says, but it strikes me that that is an important piece of work so far as future planning is concerned.

David Mundell: I should know the answer to this, but I take it that Future Skills Scotland looks at the broadest range of skills. For example, I met my local health board in Dumfries and Galloway to discuss the vexed issue of dentists, the lack of which is a serious problem there. Are such issues, which relate to the professions and public services, within your remit as well, because it is clear in rural Scotland that there are significant shortages of those people and not just of tradesmen?

The second issue is demographic migration. The way forward in providing the skills that are needed is to train people who are there, because inducements such as golden handshakes to take people to, for example, Stranraer do not seem to work. People who want to be in the area need to be identified, and then ways found of giving them the skills to do the jobs that need to be done. Are those issues addressed as part of your on-going remit?

Stephen Boyle: It is fair to say that we have not even begun to scratch the surface of the issue of specific skills such as dentistry. In our first year, we had to set up basic platforms and do basic introductory work, which we have completed. Given the resources that we have at our disposal and given the competing requests, in time we will move towards some of those more detailed and specific issues, but if we are to do that, we will not do it in isolation. To take another example, if we wanted to do more detailed work on specific construction trades—or if we were interested in specific components of the health service, such as dentists or physiotherapists—we would expect to work principally with the sector skills councils as the issues emerged, because they bring the industry expertise and the employer perspective, which could add to the work that we do.

16:15

A fair amount of work has been done on demographics; I am not sure that we can add a great deal to that. The substantial changes in the demographic profile of Scotland affecting the size of the working-age population will not really hit us for another 20 years. The first year in which the working-age population of Scotland will fall below the current level is about 2021. However, the way in which the age profile is changing is important. By 2021 there will be about 25 per cent more people of working age over 50 and a significantly smaller proportion of people aged 35 and less. I agree that that will mean that a much greater premium will be attached to training and retraining people during their working lives, and to drawing into work the substantial number of working-age Scots who are currently economically inactive.

David Mundell: I understand what you are saying about working with others. However, there seem to be a number of wider issues and I am not sure who is addressing them. One of the issues

that we face perennially in rural Scotland is to do with partner employment. We may equip one person with skills, but they will not deploy those skills in a specific area if their partner's skills cannot be deployed there too. That is a very serious issue. People now want to have a two-income household.

Demographic trends are reinforced by migration. In south-west Scotland, the part of the population that is growing fastest is people over 90. The number of people aged between 15 and 24 is declining. Is that issue covered by your remit? If you are not responsible for it, who is?

Stephen Boyle: At this stage, we are not responsible for it. From the way in which David Mundell described the problem, I suspect that it is not substantially a labour-market problem. It may have labour-market manifestations and give rise to labour-market symptoms, but it seems to be a more general problem of attracting people to and retaining them in certain parts of the country. I am not referring exclusively to parts of rural Scotland. To be honest, I think that it will be a considerable time before we are able to get to grips with that kind of issue. However, during the coming year we want to examine some of the distinct characteristics of rural Scotland that differentiate it in labour-market terms from other parts of the country.

Mr Macintosh: What information on demographics will you be able to provide us with? I welcome your submission, which does not cover all your work and future work. We have just completed our report on lifelong learning and are putting considerable emphasis on the importance, with an aging population, of people being able to adapt, relearn and reskill throughout their lives. However, we are still working in a system that focuses most of our resources on the post-school period of education. We will need more information on the benefits and downsides of support systems that allow people to retrain and reskill later in their lives. I, too, was expecting Future Skills Scotland to provide that information but perhaps it is not within your remit.

You are obviously focusing on the skills gaps. Do you also study the training schemes and the graduates that Scotland is producing and the impact that they are having on the economy? In other words, if we are training more ophthalmologists than we need, what impact does that have on the economy? Does it drive up the standard of ophthalmology in Scotland?

There is a very strong emphasis on a highly trained and highly skilled work force. Does that boost the economy by boosting the high-end of productivity?

I do not know whether your draft work programme is in any order or whether it is just a list, but point 14 refers to the Scottish funding councils. You are working on a work plan. What is your relationship with the funding councils? How do they use your information and vice versa? I am sorry to throw so many questions at you.

Stephen Boyle: No, that is fine. Your first question was about the aging population and what intelligence we might be able to supply that could inform planning and decision making.

Mr Macintosh: Yes. What skills are people relearning? How many are reskilling? How many are going back to university? That is the sort of information that I am looking for.

Stephen Boyle: Almost all that information is somewhere in the public domain. We are working towards drawing it together in one place or making it accessible from one place. We will not have reached our objectives if, within the near future, it is not possible for people to go via us or our website to find that kind of information. The task is not to create new information but to marshal what is already there.

We have not looked at the impact on the economy of investing in particular skills, and our stakeholders and partners have not asked us to consider that. I would be quite open to doing that if there was a demand for that information.

You asked about our relationship with the funding councils. We live with Highlands and Islands Enterprise and Scottish Enterprise, but we have to serve a wider constituency. The funding councils are one of the key partner organisations with which we work. Last year, they worked closely with us on putting together the questionnaire that we used to elicit from employers information about skills gaps and shortages, and on a range of other issues that were of specific interest to the further education and higher education sectors. Next week, we are starting to work with the two funding councils to provide information that they will use to prepare their first joint corporate plan. We have formal and informal arrangements, which means that they have an open channel to us if they require information and we can go to them if we require input for the work that we are doing.

Mr Macintosh: You obviously operate within the enterprise framework. Do the enterprise networks regard your organisation as a tool that can help them in their operations or is it seen to be an asset that can be shared? Are the funding councils looking to you with enthusiasm, optimism and hope that you will provide them with a good service? Do you think that although you are not working solely within the enterprise network, you are clearly part of that side of the economy?

Stephen Boyle: The enterprise networks pay the wages and that is not an insignificant

consideration. Our role within the enterprise networks is to inform decisions about the design and delivery of training programmes and the works of Careers Scotland.

The Scottish Executive clearly expects—and the expectation is understood and shared by the two enterprise networks—that we should play a role beyond the organisations of which we happen to be a part. The funding councils are examples of organisations with which we must have a close relationship.

The Convener: Unfortunately, we have to bring matters to a close. I apologise for not giving you as much time as I had hoped. As you know, our agenda ended up being a bit fuller than we had anticipated.

Thank you for your extremely helpful written and oral evidence. I guess that our successor committee will be coming back to you fairly soon after the election to talk through some of the issues that you have raised and to follow up issues from the lifelong learning report.

"Chips for Everything" (House of Lords Report)

The Convener: Item 4 on the agenda is the House of Lords Select Committee on Science and Technology's report "Chips for Everything", which deals with two specific recommendations. Information on the report and observations from the Institute for System Level Integration have been circulated to members. The concern is not just about the institute itself but about the whole Alba project and the implications for that project if the House of Lords committee's recommendations are implemented.

I welcome Ron Dunn, who is the chairman of the Institute for System Level Integration, and Professor Steven Beaumont. I shall ask them to say a few words, and then we shall ask some questions.

Professor Steven Beaumont (Institute for System Level Integration): We thank the committee for seeing us at rather short notice. We have already spoken to the convener about the issues raised by the House of Lords report, and we are grateful for the help that he has already given us.

I do not want to rehearse all the issues and the history, as you all have a full paper on that. As you know, the ISLI is an institute that has been established as part of the Alba project with the aid of Scottish Enterprise and the support of four major universities in Scotland. Our remit is to develop the skills and research base associated with leading-edge electronic design and to help to transform the electronics industry from one that is based strongly on manufacturing into one that is much more design based and associated with a great deal of product ownership. Focusing on the technology known as system on chip, we occupy a unique position in the UK as a result of the foresight shown by Scottish Enterprise and the partner universities, in terms of our positioning, our remit and our constitution. In particular, we are unique in the way in which we engage with industry, and we are located in a major industrial research park, which is the focus of the Alba project.

Over the four years or so that we have been in existence, we have grown from a very small organisation to one with 100 students and 25 research projects, which are fully sponsored by and carried out in close association with industry. We are already growing our portfolio of projects with Europe through frameworks 5 and 6. I would like to put what we are doing into the context that the committee was discussing this afternoon. We are already associated with three start-up

companies, and we are just about to announce a new business plan competition. We hope that some of the graduates from the institute will be able to spend a year putting together a business plan and funding for a start-up company to develop the technologies that we specialise in. We are very much not an academic institute, although we have academic roots.

The Alba project itself has been successful in transforming the electronics industry. In Livingston, we have the UK's largest system-on-chip design centre. There are now a number of spin-off companies and some inward investors are capitalising on the talent pool that the institute has created and are helping to carry out the process of transformation.

In October 2001, the House of Lords initiated an inquiry into the general landscape of electronics design, the semiconductor industry and electronics manufacturing in the UK. It received from Scottish Enterprise a comprehensive set of evidence, which fully described the Alba project, the institute and other components of what we were trying to do.

The findings of the report reinforced the findings that led Scottish Enterprise and the electronics industry to support the Alba project in the first instance five or six years ago. It is a pity that the House of Lords did not take evidence in Scotland, although it received written evidence from Scottish Enterprise. One of the recommendations of the report is to fund a centre of excellence in system-on-chip design in the UK, irrespective of the fact that the institute and the Alba Centre already exist in Scotland. That is our major concern.

We agree with many of the House of Lords recommendations, particularly with regard to the growth of the research budget in the UK, which we think is extremely important in helping us to engage more strongly with the institute and with industry. We also agree with the notion that a UK-wide institute should be established. We have found that in order to develop the institute, we have to work closely with industry south of the border, in Northern Ireland, in Europe and internationally. We already teach students in Japan through our distance learning programme.

16:30

We welcome the recommendations of the report, but our main concern is that the outcome of implementation would be the creation of a competing institute or perhaps several competing organisations elsewhere in England. We have seen such fragmentation affect Scotland's ability to prosecute its microelectronics research business. It is noticeable that in other areas the Department of Trade and Industry is spending substantial money in micro systems and nanotechnology, but none of that money seems to be coming north of the border.

We are concerned that if the report is implemented in the way that the House of Lords committee is suggesting, which the DTI is picking up, we will create a fragmented landscape within the UK. We will create unnecessary competition for the Alba project and there will be significant wastage—that is probably a bad word to use—of public money spent on the Alba project and on the ISLI.

We would welcome the committee's support in pushing what we believe to be the correct agenda, which is that the institute's activities should be enlarged and spread out across the rest of the UK, perhaps from several sites. More important, any recommendations on budget spend by the UK Government should apply to the UK as a whole and should not stop at the border.

The Convener: Thank you very much. That was very helpful.

Ron Dunn (Institute for System Level Integration): I would like to make another point if I may. Our proposal is that we would participate in a UK-wide initiative. Were we to do so and were we to take a leading role in that—bearing in mind that we have five years' experience, whereas any start-up in England would have a base of zero—there is a great deal that we could contribute to the House of Lords initiative, such as expertise, tooling, designs, intellectual property and course material. That could result in the overall UK initiative getting off to a rapid start and being delivered in much shorter time scales than the House of Lords might otherwise anticipate.

The Convener: That was extremely helpful, as was your written evidence. I invited Lord Oxburgh to come and give evidence. He was willing in principle, but was unable to do so because of previous appointments and, to be fair, we asked at short notice. He certainly was mindful of some of the issues that the report has thrown up.

Members should note that an article in one of the Sunday newspapers pointed out that Robert Crawford and a number of other people have already taken the issues up with the Secretary of State for Trade and Industry, to make her aware of them, as well as with the House of Lords select committee.

Miss Goldie: The fullness of your submission and the additional comments that you made mean that my question will be even briefer. Having visited the project and met both of you, I do not need to be persuaded of the merit and value of what is happening at the Alba Centre. The nub of my question is whether the select committee's principle omission is its apparent

misunderstanding of the role of the Alba project and the ISLI. The select committee seems to think that the project and the institute are a university-based initiative, which is not the case, of course.

I hope that the Enterprise and Lifelong Learning Committee decides to make submissions to the Minister for Enterprise, Transport and Lifelong Learning, the DTI and the chairman of the select committee. If we do so, all parties concerned will be clear about our worries. Is the nub of your concern that the select committee proceeded on an inaccurate understanding of what happens at the campus? If so, and if that lack of awareness leads the select committee to recommend the introduction of something de novo down south, are you also concerned that that could lead to duplication and a reinvention of the wheel?

Professor Beaumont: Yes; that is the nub of it. As I said in my introductory remarks, the House of Lords select committee's remit was very wide. Indeed, it began its work by looking at a specific aspect of electronic design and at some of the underlying technology. I suspect that, having received evidence from Scottish Enterprise and others, the committee was persuaded of that evidence and moved its thinking in the direction of system-on-chip design. In doing so, I suspect that the committee overlooked the fact that Scottish Enterprise's evidence highlighted what is going on in Scotland.

It is also worth saying at this point that there is a view that the Alba project has a Scotland-only remit and that the institute exists only for the benefit of Scotland. Indeed, our dealings with the DTI support that view. It is fair to say that we exist to act as a magnet to bring companies and experienced people to Livingston and Scotland, but we view the entire UK as our marketplace. There has been a misunderstanding about the way in which the ISLI operates—I would not want to put it more strongly than that.

Brian Fitzpatrick: I am not sure who was responsible for your submission? Was it a joint piece of work?

Professor Beaumont: Yes.

Brian Fitzpatrick: I would like you to help me with the chronology of events. Did the institute become aware of the select committee inquiry only recently?

Professor Beaumont: Yes.

Brian Fitzpatrick: The inquiry began in October 2001 and took evidence throughout 2002. I think that you said that Scottish Enterprise made a submission to the select committee. Did the institute collaborate on that submission?

Professor Beaumont: I do not recall being asked to make a contribution to the submission. You could say that there was a failure of communication between the authors of the Scottish Enterprise evidence and us.

Brian Fitzpatrick: How did that come about?

Professor Beaumont: As the select committee's remit was to look at the electronics industry in general, Scottish Enterprise's evidence to that committee probably came from its electronics cluster group. That said, we have not examined that possibility in detail. Although the evidence referred to the Alba project, it did not take direct input from us.

Brian Fitzpatrick: Scottish Enterprise did not speak to you about the submission?

Professor Beaumont: No.

Brian Fitzpatrick: As we know, before the report was issued, it would have gone back and forth between people in draft form. Was there a read-out from Scottish Enterprise or others?

Professor Beaumont: No; there was nothing at all.

Brian Fitzpatrick: That is a worrying set of circumstances. Do you want us to urge the Minister for Enterprise, Transport and Lifelong Learning to take the view that the Executive should participate in the UK Government's response to the report?

Professor Beaumont: Yes.

Brian Fitzpatrick: A House of Lords select committee report is, of course, not a Government report. What has been your transaction with the Minister for Enterprise, Transport and Lifelong Learning?

Professor Beaumont: We have received good support from the Executive's enterprise and lifelong learning department, which has made representations to the DTI.

Brian Fitzpatrick: I am interested in the timing of that. When did that representation take place?

Professor Beaumont: I guess that it took place about three weeks ago.

Ron Dunn: Yes. It took place about three or four weeks ago.

Professor Beaumont: The DTI would have received the correspondence a week before the House of Lords debate.

Brian Fitzpatrick: Was the correspondence from the Scottish Executive Minister for Enterprise, Transport and Lifelong Learning?

Professor Beaumont: Yes. We also asked the Secretary of State for Scotland to make representations to the Secretary of State for Trade and Industry about our concerns. That was done.

We have had very good support from the Scotland Office.

Brian Fitzpatrick: Is that information in the public domain?

Ron Dunn: Not that we are aware of. However, Lord Sainsbury made a statement during the debate in the House of Lords on Friday that indicated that there had been some communication, in that he recognised the existence and the excellence of the ISLI and said that its capability would be taken into account in any DTI recommendations that come out of the report.

Brian Fitzpatrick: I did not follow the debate on Friday. Was there any suggestion that the DTI would consult on that response? I have not yet seen any response from the DTI.

Ron Dunn: There was no specific DTI response other than Lord Sainsbury's statement, which was made in reply to the speeches of the other lords in the debate. I understand that he was speaking on behalf of the DTI when he said that our capabilities would be taken into account.

Professor Beaumont: Our understanding is that the Government is considering its response to the report. Unusually, the debate took place before the Government formulated a formal response to the report. We have a breathing space and an opportunity to influence the response.

Brian Fitzpatrick: I do not know if you can help me with this—perhaps the clerks can—but I am interested in the mechanisms of anticipating what the DTI will do with the select committee's report.

The Convener: I might be able to help with that. I spoke informally to Iain Gray, the Minister for Enterprise, Transport and Lifelong Learning, to highlight the issue after I had had the initial meeting with Steven Beaumont and Ron Dunn. He shares our concern and I understand that he has been in touch with the ministers in the DTI verbally and in writing. However, I do not think that it is clear when we will get the DTI's formal response to the report.

Brian Fitzpatrick: I take it that our witnesses would like us to instruct the Executive to take note of the situation—although it sounds as if it has already done so—and to get an explanation from the minister of his intended next steps in relation to the devolved responsibilities.

Professor Beaumont: There is an important monitoring issue. As I said, we are concerned about any funding mechanisms that roll out as a result of the situation. Our understanding is that the DTI can spend its money across the UK or it can decide that its funding will stop at the border. Obviously, if the funding stopped at the border, that would make it difficult for us to participate as a full partner in any new development south of the border. That is a major concern.

Brian Fitzpatrick: I understand your concern but I think that, strictly speaking, your understanding of the DTI is wrong.

I think that it would be entirely appropriate for us to make further inquiries of the minister and the Secretary of State for Scotland. I do not think that it would be appropriate to go beyond that at this stage. Although I am sympathetic to paragraph ii of the ISLI response, I do not think that we could do what it asks at this stage.

The Convener: I think that we should reinforce the position that the minister—backed up formally by Robert Crawford—has already put to the Secretary of State for Trade and Industry, which is that, if the two recommendations from the House of Lords select committee are implemented, there would be serious implications for the future of the Alba project.

Brian Fitzpatrick: I agree, but I would not want us to labour under a misapprehension about how the Government will respond. The House of Lords select committee is important, but it does not represent the Government.

The Convener: We need to ensure that the secretary of state is aware of the implications of accepting the House of Lords select committee's recommendations before she prepares the Government's response. If we do that after she has prepared the response, it will be difficult to get the Government to change its mind.

Professor Beaumont: That is right. It was important that, during the House of Lords debate, Lord Sainsbury recognised that the Alba project had been running successfully for a number of years and that the ISLI had been an important part of it. We now want to influence the formulation of the Government's formal response and to try to steer it in our favour.

The Convener: An exact date for the DTI's formal response has yet to be set, but we have been told that it is expected in the next few weeks, so time is of the essence.

David Mundell: I am happy to proceed on the basis that Brian Fitzpatrick outlined. We have produced several significant reports that have not been fully adopted and implemented by the Government. Brian Fitzpatrick went to the core of the matter. The report's status is important relative to the outcome. One should not take as read what is in the report simply because it is in the report, particularly as there is a window of opportunity. I am sure that our deliberations and our providing some form of support for the minister's comments are bound to help. We should write to the DTI and the Secretary of State for Scotland.

The Convener: We all agree that we want to do that.

16:45

Mr Macintosh: In addition to recommending the establishment of a single national research institute, the House of Lords select committee talks about proposed nanotechnology centres. Would they be a parallel development? Could a nanotechnology centre be based in the research institute?

Professor Beaumont: We do not think so. Nanotechnology is a much broader technology, whereas the research institute is narrower and more focused. However, the DTI has recommended a micro systems centre as well as a nanotechnology centre, and I understand that those two proposals are merging.

Mr Macintosh: Is the National Physical Laboratory the potential centre for that? A location is not named.

Professor Beaumont: We are not aware that the NPL is a candidate centre. The rumour is that the nanotechnology centre is likely to go to the Birmingham area.

Mr Macintosh: Are there other institutes in the UK that are as developed as the ISLI and Alba are, or are we in the lead?

Professor Beaumont: We are in the lead. Tremendous interest has been shown from around the world in the Alba project and in the structures that have been created. I am aware of nothing in the UK that has the same remit, positioning and objectives as the ISLI. Of course, other research centres exist. The micro systems and nanotechnology centres are likely to be purely research centres. In Scotland, we are engaged in training, professional development, education and the research and industrial development agenda, together with an economic development remit. That combination of missions is unique.

Mr Macintosh: It is recommended that the research institute should be industry facing. I take it that centres south of the border or elsewhere in the UK are not more industry facing. Are there institutions that are less academic and more economic development orientated?

Professor Beaumont: Organisations such as the Faraday centres and possibly the virtual centres of excellence have a similar focus on supporting industry and doing industrially relevant research. A substantial injection of research funding has helped to support them. We would appreciate the committee's support on the report's recommendation that research funding should be expanded for design, which tends to be neglected in several technologies, not simply in electronics technology. The House of Lords select committee's report highlights the comment that, because design is not considered an academic research subject, it is poorly funded. Amazingly, the Engineering and Physical Sciences Research Council's research portfolio for electronic design is worth about £7 million. That industry is worth billions worldwide and a substantial amount of money to the Scottish and UK economies.

The Convener: Thank you. That was extremely helpful. I take it that the committee agrees to the proposal outlined by Brian Fitzpatrick and supported by David Mundell that we write to the Secretary of State for Trade and Industry and the Secretary of State for Scotland.

Brian Fitzpatrick: I would like to discuss what we will write about.

The Convener: Fire away. We have finished taking evidence, so we will have an open discussion among committee members only.

Brian Fitzpatrick: I am troubled by the circumstances in which this situation has come about, and I am not sure about the urgency of the matter. If it is being impressed on us that it is urgent, that is fine. However, on a broad reading of the House of Lords statement, it strikes me that a report is sought—or has been ordered—on a whole series of measures. I do not understand how the DTI can say that it will respond to all of them in a matter of weeks. For example, a review has been sought in relation to venture capital funding.

The Convener: We have to go by what we have been told. The DTI has said that it expects to make a formal response in the next few weeks.

Brian Fitzpatrick: Will that response be a white paper?

Simon Watkins (Clerk): No. The direct response to the Lords select committee's report would be made in the same way as we receive responses to committee reports here. The report was originally published in November, so the DTI has had a significant period in which to respond.

Brian Fitzpatrick: Do we know whether the response will say that there will be a white paper?

The Convener: It is our understanding that the DTI does not know what its response is to be; it has not been finalised. The DTI has simply told us that it will respond in the next few weeks.

Brian Fitzpatrick: I am also concerned about what has been going on at Scottish Enterprise. Was it just a misapprehension as to the nature of the inquiry, or does it go further than that? I was quite anxious to learn what Professor Beaumont had to say about the absence of any communication between Scottish Enterprise and the ISLI. That is quite serious.

The Convener: I think that it is correct to say that most people were not aware of the House of Lords inquiry. To the best of my knowledge, no one in the Executive was aware of it. I spoke to Iain Gray three weeks ago, and he did not know of the existence of the inquiry, let alone the report. Brian Fitzpatrick is right to say that that shows the need for us to keep a much closer eye on such things. We have ignored the House of Lords—we tend to know what is going on in the House of Commons, but not the House of Lords.

Brian Fitzpatrick: Before we get there, let us be sure. Given the strategic importance of the issue, I cannot understand how Scottish Enterprise can say that it managed to make a submission to a House of Lords select committee without having scoped out the nature of the inquiry and its likely impacts on Scottish Enterprise activity. I urge that we find out what happened—chapter and verse.

The Convener: We will take that as a proposal. I suggest that we write to Scottish Enterprise, enclosing the *Official Report* of the evidence that we received today, and ask for their explanation of what has happened and the lessons that may be learned for the future. Our successor committee may then consider the response to our letter.

Brian Fitzpatrick: I agree, but I am not sure of our line on what our minister should do.

The Convener: He should do what he has already done: point out to Patricia Hewitt the potential impact on the Alba project and on the institute of the implementation of the House of Lords select committee's recommendations.

Brian Fitzpatrick: Are not you going to ask Iain Gray to do anything further?

The Convener: Mr Gray is pursuing the matter and presumably he will be trying to persuade the Secretary of State for Trade and Industry that if the recommendation is accepted, the core of the new institute should be based in the existing institute in Livingston. That is my understanding of the minister's position.

Mr Macintosh: I do not entirely agree, in the sense that we do not know what the DTI's response to the report will be. We should say to the DTI, Patricia Hewitt, our own minister and the Secretary of State for Scotland that the report has been drawn to our attention and that we are concerned that the work of the Alba project and the ISLI may not have received the attention that we feel it deserves. We should make it clear that the excellent work that is going on here should be explored before any recommendations are implemented.

The Convener: Precisely.

Members *indicated agreement*.

The Convener: Item 5, which I mentioned at the beginning of the meeting, is simply to put on record the committee's gratitude to our clerking team, as this is our final meeting during this Parliament. We have the best clerking team in the Parliament. I also thank the Scottish Parliament information centre, which has provided us with an excellent service, and the reporting, broadcasting and security staff, along with all the others who have provided us with support and advice. Finally, I thank all members of the committee, past and present, particularly Annabel Goldie, the deputy convener, and the lead members, Brian Fitzpatrick, Marilyn Livingstone, Tavish Scott—who could not be here today—and Andrew Wilson. Operating a lead member system has made the functioning of the committee easier. On the whole, we have been quite successful. We have produced some good reports and we have conducted our business in a reasonably friendly manner, despite our limited political differences.

Brian Fitzpatrick: We have been fortunate in having a reasonably non-sectarian convener, although the mask slipped every so often. [*Laughter.*] We have also had some very good interchanges with the various enterprise ministers, often at short notice, about the work of the committee. That has been valuable.

David Mundell: Convener, you have convened the committee expertly, as we might have anticipated that someone of your calibre would. I congratulate you, Annabel Goldie and Marilyn Livingstone for seeing us through the duration of the Parliament. Consistency of committee membership throughout a Parliament has been shown to be important in enabling a committee to tackle the issues. I echo your thanks to everyone else who has been involved.

The Convener: You are all welcome to come to Hamilton North and Bellshill to canvass for me.

Meeting closed at 16:56.

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