



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 19 November 2014

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ECONOMY, ENERGY AND TOURISM COMMITTEE

28th Meeting 2014, Session 4

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

*Richard Baker (North East Scotland) (Lab)

*Marco Biagi (Edinburgh Central) (SNP)

*Chic Brodie (South Scotland) (SNP)

*Alison Johnstone (Lothian) (Green)

*Mike MacKenzie (Highlands and Islands) (SNP)

*Joan McAlpine (South Scotland) (SNP)

*Margaret McDougall (West Scotland) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Dr David Archibald (University of Glasgow)

Brian Baglow (Scottish Games Network)

Gillian Berrie (Sigma Films)

Fergus Ewing (Minister for Energy, Enterprise and Tourism)

Professor Georgina Follett (University of Dundee)

Fiona Logue (Craft Scotland)

Hugh Welsh (Registers of Scotland)

Professor Gregor White (University of Abertay Dundee)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 19 November 2014

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Murdo Fraser): Good morning, ladies and gentlemen, and welcome to the 28th meeting in 2014 of the Economy, Energy and Tourism Committee. I welcome not only our members but our witnesses, to whom I will come in a moment.

Under agenda item 1, I ask members whether they are content to take items 5, 6 and 7 in private. Are we content?

Members *indicated agreement.*

Creative Industries

10:01

The Convener: Item 2 is an evidence-taking session in round-table format on creative industries in Scotland. Perhaps the easiest thing would be for us to go round the table and introduce ourselves. I am the committee convener and a Mid Scotland and Fife MSP.

Dennis Robertson (Aberdeenshire West) (SNP): Good morning. I am the deputy convener of the committee and the Scottish National Party MSP for Aberdeenshire West.

Mike MacKenzie (Highlands and Islands) (SNP): I am an SNP MSP for Highlands and Islands.

Brian Baglow (Scottish Games Network): I am head of the Scottish Games Network and games partnership manager for Creative Skillset.

Chic Brodie (South Scotland) (SNP): I am an SNP MSP for South Scotland.

Dr David Archibald (University of Glasgow): I am a lecturer in film and television studies at the University of Glasgow.

Margaret McDougall (West Scotland) (Lab): I am a Labour MSP for the West Scotland region.

Fiona Logue (Craft Scotland): I am director of Craft Scotland, the national development agency for craft.

Richard Baker (North East Scotland) (Lab): I am a Labour MSP for North East Scotland.

Professor Gregor White (University of Abertay Dundee): I am director of academic enterprise in the school of arts, media and computer games at the University of Abertay Dundee.

Alison Johnstone (Lothian) (Green): I am a Lothian MSP.

Gillian Berrie (Sigma Films): I am co-founder of Sigma Films and founder of Film City Glasgow.

Marco Biagi (Edinburgh Central) (SNP): I am the MSP for Edinburgh Central—and I have just a little bit of constituency interest in the industry.

Professor Georgina Follett (University of Dundee): I am director of the design in action knowledge exchange hub for the creative economy.

Joan McAlpine (South Scotland) (SNP): I am an SNP member for South Scotland.

The Convener: We are also joined by the official report, who are noting down what we are

saying, and our clerks Dougie Wands and Diane Barr.

We have about 90 minutes for this evidence session, which is an opportunity for members to explore with our guests some of the issues around the creative industries. Our focus is to understand where we are with public support for the industry; the key public policy issues that are supporting or—perhaps more interesting—holding back the industry; and any particular policy changes that you would like to be implemented. We have read your written submissions, which will be very helpful in framing our discussion.

I want to make the discussion as free flowing as possible, but obviously I need to chair it to ensure that broadcasting and the official report can keep track of who is saying what. Anyone who wants to contribute or say something should catch my eye, put their hand up or give some other indication and I will bring them in, and any member who wishes to ask a question should do the same. I will bring people in as best I can and give everyone a fair crack of the whip.

Just to get things going, I want to give everyone a chance to say a little bit on the record about general public support for the sector. The written submissions contain quite a lot about the role of Creative Scotland and the enterprise agencies in supporting the sector, and I want to get a flavour of what people think about that. Has that support been successful? Is it sufficiently targeted, and can it be improved?

I will start with Brian Baglow and work my way around the witnesses.

Brian Baglow: Certainly. First of all—*[Interruption.]*

The Convener: I should also have said not to touch any buttons. It is all controlled by broadcasting.

Brian Baglow: If you give me a button, I am going to press it. I will just keep my hands down here.

The Scottish Government's support for the games sector has been incredibly strong from the outset and well before Westminster agreed to table the tax breaks issue. The Scottish Government has really thrown its weight behind the games sector and has agreed that such support will benefit a very exciting and dynamic industry.

The games industry has received a lot of support from commercial organisations over the past two decades and, from the very earliest days of Scottish Enterprise's recognition of the existence of the internet, it has thrown its weight behind the sector. The industry in Scotland is diverse and dynamic thanks to the support from

commercial organisations and the public sector, and I really cannot fault them on that front.

However, because all that predated the formation of Creative Scotland, we have fallen into the commercial-only aspect of the industry. We had absolutely nothing to do with the Scottish Arts Council and we—in the shape of myself—had only just started to talk to Scottish Screen when the merger began. We do not have any legacy as a cultural or creative industry over the past few years, and that issue, which is United Kingdom-wide, has to be addressed as we move forward. For the most part, games are seen in the UK as things for kids. They are equated with digital toys and therefore have very little, if any, cultural impact. I contend, however, that interactive media is fundamentally changing every aspect of the creative industries. At some point, somebody will need a programmer to create something engaging and—dare I say it?—fun, and those people should be talking to the games industry, because that is what we do.

The Convener: Given that he works in the same field, I wonder whether Professor White has anything to add.

Professor White: I agree with Brian Baglow's description of the history of the games sector. What it does very well is to reinvent itself in cycles in response to technological advances and other changes in business models, and what has happened has been characteristic of that.

There is a risk of lumping together the various parts of the games industry under one banner. There are probably three such industries in Scotland; first, there is Rockstar North, which is its own economy; secondly, there is a layer of reasonably well-established companies that have been running for some time, have a fairly steady income stream and know how to operate in the marketplace; and thirdly, there is the start-up layer, which is really very interesting. It is very dynamic, has a very high turnover and is very difficult to quantify and manage in the traditional ways that public sector agencies have worked with start-up companies.

The risk is that we do damage by taking the traditional approach to start-ups. Organisations such as business gateway will ask start-ups to establish themselves as companies, go on bookkeeping courses and make them jump over all sorts of hurdles before they can start to access the services on offer, and the people who are in that space are actually much more dynamic and fast moving than that. They are probably less interested in creating a business than they are in creating a product, and how we cater for that layer is a really interesting challenge for us. It is almost like the research and development wing of the industry.

That is where the exciting things are happening—those people are working with medics, architects and the oil industry. It is a much more experimental group of people at that level. That way of working is probably a more comfortable fit for Creative Scotland. Although it has had issues with conceiving how games fit in its portfolio, that kind of community is much more familiar to Creative Scotland. Another organisation, the Cultural Enterprise Office, has had trouble fitting games into its “Starter for 6” programme. That environment is really rich and interesting. If we step back from saying, “You’re a start-up and these are the hoops you’ll jump through”, there is a lot that can be done to support that sector differently.

The other side of agency and public sector intervention is that on the skills side, the skills agenda has been dominant for 10 to 15 years in the games sector, driven mostly by large employers who are looking for monofunctional graduates to enter large corporations. Again, that landscape has changed completely. Graduates need to be much more multifunctional. They need to be able to fit well into small companies and be able to take up a number of roles in those companies. Although the graduate skill set and the demand for skills are changing, we still have an imbalance, in which larger companies dominate the discussion about skills. We are still getting an interpretation of what the graduate skill set should be from a part of the industry that is now a tiny fragment of it.

The Convener: We will want to follow up a lot of those issues. I am keen to go round the table and let all the witnesses have an initial say. We move on to film, and I put the same question to Gillian Berrie. Is public sector support sufficient? What has been your experience?

Gillian Berrie: I am sure that most of you are aware of the “Review of the Film Sector in Scotland”, which was published in January. Everybody has a clear idea of the state of the film industry in Scotland at the moment.

Prior to Creative Scotland, when we had Scottish Screen, 35 people looked after the film industry. For the past five years, there has been less than a handful in Creative Scotland. Although all of those individuals have been fantastic, there simply are not as many people looking after us as there should be. Creative Scotland looks after only the production side—the development and production of films. For the past five years, no one has looked after producer development or company support, and therefore there is a crisis in the industry. We still punch above our weight in our international output and quality, but there are probably less than a handful of 100 per cent independent, full-time producers or production

companies in Scotland now. If film is the cake and development is one of the main ingredients, we are the cream and sugar and we are finding it very hard to survive.

The Convener: In the same vein, I bring in David Archibald.

Dr Archibald: Following on from that, there is the question of how Creative Scotland serves film—I do not know whether you want me just to address that—but there is also the bigger issue of how Scotland compares itself with its neighbours. I produced some statistics in the report that point out that Scotland spends less per person per year on film than neighbouring countries do.

The Convener: I read those figures, but I was not sure whether that was public spend or box office spend.

Dr Archibald: That is public, state support. We could compare Scotland and Denmark, even before last week, when the Danish state announced that it was jacking up its support enormously. Denmark’s increase is more than the total annual Scottish spend. Scotland is a small nation. The fact that Scotland speaks English has certain advantages in the international film market, but it has considerable disadvantages, too. In comparison with its neighbours, one could argue that Scotland does not serve its film industry very well in terms of state funding. That means that there is a disconnection between the number of people who are very talented and who can create work and the state funding that they receive.

10:15

I mentioned in my submission that a recent Royal Society of Edinburgh-funded study has identified a trend of young people who are trained here leaving Scotland because the opportunities are not here for them. That is a broader problem; Creative Scotland cannot solve that problem. It is beyond the remit of Creative Scotland, as it is to do with funding.

My perception is that the film community does not think that Creative Scotland is the best format for it to operate under and it would prefer to have a dedicated film agency that could look at issues to do with commerce and culture. The film community would prefer to have one specific organisation. I am not saying that that is my experience—I have not dealt with the community directly—but I suggest that that would be the main point from the Scottish film-making community.

The Convener: Do you agree with that point, Gillian?

Gillian Berrie: Yes. We are one of the only countries in Europe that does not have a

dedicated screen agency, so I absolutely agree with that point.

There is work going on this week. Scottish Enterprise and Creative Scotland are joining Independent Producers Scotland at a workshop on Thursday to talk and find ways for those two agencies to realign and collaborate to help the film business. However, they have very different agendas. It is not impossible, but it will take some work.

Dr Archibald: May I add one more point?

The Convener: Yes.

Dr Archibald: There is also the question of needing a film studio in Scotland; I mentioned that in my submission. I also mentioned that there has been considerable discussion about a film studio in recent years, but recently we found out that there was a *Scotsman* editorial in 1944 that talked about the establishment of a film studio in Scotland. Again, that is beyond the remit of Creative Scotland; it has to be addressed by the Government.

The Convener: I am sure that there are some members here who read that editorial at the time. I am not one of them.

Dr Archibald: The journalist may be here.

The Convener: You raise a very interesting point. In fact, one of the things that I want to come back and discuss later is the issue of a film studio, because that has been kicking around for such a long time.

I bring in Fiona Logue to talk about the broad question of public support.

Fiona Logue: The craft sector in Scotland comprises about 3,500 individuals who work professionally as makers. However, despite the small size of the group, it is not at all homogenous. That leaves many of the people working in craft sometimes feeling uncomfortable about being placed in the creative industries sector. Many of them see themselves very much as artists, producing one-off, fantastically designed, wonderfully conceived pieces of art that will be bought by galleries and collectors. They do not always want to go into trade and the production of multiples. That is where the creative industry side comes in and that is where we sit within Creative Scotland. It has not proved to be an issue so far in terms of funding. Creative Scotland seems to be able to deal with the range of the group flexibly. In the recent round of bursaries for creative people, six craft makers got awards, so despite where we sit that distinction does not seem to be too much of a problem.

We are pleased with the overall support that we get from Creative Scotland and the service that we

get from it. Craft Scotland—an organisation that is 10 years old—has just received three-year funding for the first time, so I am one of the lucky ones. That shows a commitment to the sector from Creative Scotland and we are pleased with that. There is also increased funding for North Lands Creative Glass up in Wick, in the north of Scotland, and new funding for Dovecot Studios in Edinburgh, which we are delighted about.

The challenge for me comes in trying to work with some of the other agencies. There are huge opportunities for craft makers around tourism, for example. However, trying to knock on the door of VisitScotland and work with it on developing craft as an opportunity to add value when visitors come to Scotland, or indeed making it a reason to visit Scotland, has been incredibly challenging.

With regard to taking work abroad, I will not tell you the challenges that are involved in trying to get through the maze of Scottish Enterprise, Scottish Development International and UK Trade & Investment. When we speak to people in those organisations, sometimes they cannot help because they cannot work out who is doing what. We find that challenging. We are looking for them not to create money for us, but to make us aware of all the opportunities that might exist in trade missions overseas so that we can share that information. We might not necessarily want to do it ourselves, but we could make our sector aware of all the opportunities that exist.

When it comes to local authorities, there is a bit of a postcode lottery. Some local authorities are very good at supporting crafts. For example, Fife has Fife Contemporary Art & Craft and people who happen to live there get a great deal of support. Dumfries and Galloway has the spring fling event and it has recently been working with CABN—the creative arts business network—which is excellent. However, in major cities such as Edinburgh and Glasgow, there is no extra support for makers.

A long time ago, crafts were supported by Scottish Enterprise, but when it changed its remit to cover the larger sectors, responsibility for crafts was passed to the Scottish Arts Council and then to Creative Scotland. Highlands and Islands Enterprise still gives a lot of support to what it calls fashion and textiles and, through an organisation called Emergents, it supports a lot of smaller craft makers such as people who are making jewellery, which can be counted as fashion. A jeweller who lives in the Highlands and Islands might be able to tap into two lots of support—from HIE and Creative Scotland—whereas makers in the central belt cannot do that.

It is about joining up all those dots and all the potential opportunities that exist and making it all work much better.

Professor Follett: We take a slightly different perspective, because we work with all designers irrespective of their discipline. We have textile designers, games designers and so on from all across Scotland. We try to put design at the heart of new businesses.

We scope a call, home in on a sector and put up a proposition; we then bring together between 20 and 35 people to look at developing an idea by placing a designer in each team. The designer is there to help to generate the ideas and move the agenda forward by sparking new thinking about the way of doing business.

We have found that there is overwhelming need in the microbusiness and the small and medium-sized enterprise sectors; in some ways, it is insatiable. We have been deluged by more than 500 companies—I think that the figure has now reached about 700—because the environment within which they operate is so complex and difficult to manage and manoeuvre that they simply cannot get through the systems. A business has to be quite sophisticated to know when to access a training scheme, and it has to have the resources to allow someone to get out of the business to attend it. How does someone run their business when they have to go and do an accounting course or any of the other programmes that are on offer? Those opportunities are there, but the means by which small businesses can access them is limited.

As an organisation that is driven by bringing businesses into the economy, we are also experiencing the fact that a science, technology, engineering and mathematics model is very much the way in which all those organisations operate. They are not looking at the creative economy sympathetically or developing a dual way of approaching funding for the different types of sector. Everyone has to go through the same process, which is easy for a STEM company because it has the kind of metrics that are needed for that approach. That is very much resource based and about resource enhancement through bringing in people to do the jobs. Someone in the creative economy wants much more mentoring and for it to be much more person centric; that is a different type of model.

The Scottish Further and Higher Education Funding Council and Scottish Enterprise collaborated to bring together innovation centres and the creative industries were in the first line of attack for the first call. However, the creative industries failed rounds 1 and 2 because there is not the infrastructure in Scotland to support them, as they need to be led by a larger industry. The creative industries that we are talking about consist of small companies with a small number of individuals, so there was not the critical mass to

make the bids work. We know that the textile one has gone ahead but at a very modest cost compared with that for the STEM subjects. It seems that the creative economy is missing out on opportunities and ways for building its infrastructure because the approach is not sufficiently sympathetic to the creative sector. I find that very frustrating.

I echo what my colleagues have said about their frustration in trying to join together all the bits, not for us but to make it work for the businesses that we are trying to grow to take their place in the economy.

The Convener: Thank you. That was a helpful summary from all of you about where we are. A number of members have already indicated to me that they want to come in. I will start with Dennis Robertson.

Dennis Robertson: The theme common to all your statements is that you are trying to work through a complex infrastructure.

Professor Follett referred to the threshold of £400,000 for Scottish Enterprise account-managed companies. Should we be looking at ways of reducing the threshold for companies to get Scottish Enterprise's account management? Should we look at trying to remove some of the barriers so that people can understand the complexity that they face? There should be no complexity; there should basically be a portal, whether it be for crafts, film or gaming, for people to go through for appropriate advice to help them move forward and access appropriate funding.

Just in the past few days, open project funding from the Government was announced of £30 million over three years. I wonder whether that source of funding could be open to your sectors. Could Professor Follett comment first?

Professor Follett: I am sorry, but I am not aware of the open project funding and how to access it. I have not had time to go into that.

Dennis Robertson: It is very new.

Professor Follett: For the businesses that we support, we found that £20,000, with a very simple one or two-page application form, helps a business produce research and development and build itself into the economy. We should be keeping everything in one place and not making people move across agencies and sectors, but we find that people have to go from pillar to post. It must be recognised that the creative economy is based on very small-scale businesses and that we need a simple methodology for them to access funding. I agree that we need a new way in.

Dennis Robertson: Is there a role for the Federation of Small Businesses in Scotland to assist in managing that process?

Professor Follett: Yes, if it can help. The FSB knows the problems, so theoretically it could help design a system that gives better access.

Gillian Berrie: We have a similar problem in film. You are right that the £400,000 threshold makes it impossible for the majority of producers to access the SE funding. Scottish Enterprise suggested to us that we form a co-operative, which we did. Independent Producers Scotland Ltd has 40 members and we, together with Scottish Enterprise, modelled the ideal infrastructure for the film sector. We applied for Creative Scotland regular funding but, sadly, our application for £3 million was rejected two weeks ago.

There is a possibility that we might be able to apply through the open funding or targeted funding. It seems that when the smaller businesses come together and behave co-operatively it is easier to obtain funding.

10:30

Professor White: I do not agree that there is a problem with companies accessing the agencies. Last night, off the top of my head, I thought of 13 agencies in Scotland that in some way purport to support the games industry—I think that my record is 16, but I was not on form last night. The complexity that has been described is part of the sector's vibrancy. Part of the balance that we have to find involves not regimenting creative people to fit neatly into the funding streams or profiles with which agencies are comfortable. We need to live with that complexity and dynamism.

The games industry is obsessed with Finland, which seems to be getting it right at the moment. Part of what Finland does is to incubate really well, because it incubates people rather than companies. There is great incubation space where one person can hire a desk and sit down. If they need somebody to help them, they can hire another desk. When it gets to 10 people, they are thrown out and told to get an office. Importantly, somebody does not have to have a company to get into the building. Another point is that it is very easy to access small amounts of seed funding.

Dennis Robertson: So there is much out there that we could look at.

Professor White: I think so. The Finnish industry is great, because it had a large technology company that was interested in investing in the infrastructure—Nokia put a great deal of money into that space. We do not have that as part of the ecosystem in Scotland.

Marco Biagi: The area that I wanted to cover has been covered. I noticed that Scottish Enterprise was almost conspicuous by its absence

in the comments from the film and gaming industries.

I will go on to a slightly different topic. Professor Follett's submission makes a point about research and development in the creative industries. I understand fairly easily what research and development is in the life sciences, but what does it actually or materially mean in the creative industries?

Professor Follett: Research and development in the creative industries differs for individuals. If someone is trying to run a business or gain a living from the creative economy, they need to understand how they can function, what their skills will enable them to leverage and how they can make their businesses work. Therefore, they need access to world-class experts and they need to find a problem or real business opportunity.

It is fairly complex for a small business to find its own market. We scope the markets so that people who come to us immediately have the opportunity to create a business that has a market for it. People need research to understand where the market and business opportunities are and what the new business models are. Business models are quite limited at the moment. We are seeing a transition from a push economy to a pull economy in which many more service industries are developing but there are no real business models for them to grasp. People need research to help them to build appropriate models for the kind of businesses that they want to deliver.

Those are the main things that we have found from working with individuals. They need a business opportunity and they need to understand it. They need the opportunity to talk to experts and really understand the platform that they are planning to deliver. They need help building business models that enable them to flourish.

Fiona Logue: I can give a practical example of research and development.

I was recently fortunate enough to visit Chicago, where we took a group of 13 makers to a large international exhibition called SOFA—sculptural objects, functional art and design. We selected the makers through an open selection process—they had to apply and we then had an external selection panel. The makers knew back in February that they were going to the exhibition. Part of the selection process involved asking why people wanted to go and why it was important for the development of their work. Many of them wanted to access the US market.

In order to make a show at the exhibition, many of the makers had to up their game in the work that they were producing, because the work had to be larger and more developed and right for the market. Therefore, from February until the work

was shipped in September, that group of 13 people spent time creating a whole new body of work that would be right for the market.

That is the type of research and development that needs to happen. It can be an internal process relating to the quality of someone's work and the direction that it is growing in, as well as an external process that is about business.

Marco Biagi: Out of interest, did you get public funding for that?

Fiona Logue: We got money from Creative Scotland, which supported us, but many of the artists had to fund their own passage.

Marco Biagi: Are there enough industry-wide incentives and positive pressures to ensure that there is constant re-examination of what you do to push innovation forward? Alternatively, is it the case that some could coast and not be challenged?

Fiona Logue: The desire to innovate and progress has to come from individuals. If they do not have the passion and the drive to do it, it will never happen. We want to ensure that the environment is right to support those who want to make that move. There is some funding in place, but more could be encouraged.

Marco Biagi: I guess that that is something that is inherent in your industry, but perhaps in gaming there might be a tendency for some to operate as what an American might call a cookie-cutter industry and just put stuff out.

Brian Baglow: Very much so. The one constant in the games sector is evolution. New devices and new technologies appear on the market all the time. Those spur not only new types of content but new routes to market, new business models and entirely new audiences.

The entire games industry changed fundamentally in July 2008, because Apple launched the app store. All of a sudden, instead of it being necessary to lead a large team with millions of dollars up front, two guys in a back bedroom could sit together and knock a game out that would stand just as much chance of making money as something like Grand Theft Auto. The challenge that the games industry faces is that the industry as a whole is running to stay still. We are constantly pushed forward.

As Gregor White said, there are almost three distinct games industries. The one that everyone tends to think of is the console market: the X-Boxes, Playstations and Nintendos. However, that market accounts for a vanishingly small percentage of the industry in the UK and an even smaller percentage of the industry in Scotland. Most companies are now looking at the new opportunities and the new routes into market that

have much lower barriers to entry and offer almost as many rewards, but it comes down to understanding the devices, the routes to market and the new business models.

The games industry is almost schizophrenic at the moment, because when games work they work incredibly well. For example, in the month that Grand Theft Auto V was launched last year, it made more money than the global music industry averages—it made \$1 billion in three days. To date, it has made more money than "Avatar", "Titanic" and the last two Harry Potter movies put together. Minecraft has revolutionised how families and children feel about video games, because there are no explosions, no head shots and no rescuing of princesses. It is instead about creativity; it is almost digital Lego.

However, those games are very much the exceptions, and a growing number of companies are trying to understand an increasingly saturated market and to find ways to innovate and to differentiate themselves from the hundreds of millions of creators that are out there in the world today.

The console market is almost a red herring—that is a given, in a way. According to our own research, about 94 per cent of the companies based in Scotland are doing casual, social, mobile and online games, which are still evolving incredibly rapidly. In 2012, Facebook was going to be the biggest platform for gaming in the world, but that did not happen, because one company managed to break it for everybody else.

For me, this comes back to a fundamental issue, which is that people get into the games industry—and, I suspect, into the rest of the creative industries—because they want to create. People get into the games industry because they want to make games. Running a company is a by-product of that. As a result, a number of people have succeeded despite not knowing a huge amount about business. They have made their business work over the past 10 or 15 years but are not innovating.

One of the things that we suffer from in comparison with Finland is a lack of business skills in the creative industries. We do not have too many people who are going out there saying, "You know what, maybe free to play is not an evil monster that will kill all games and mean that we die penniless and alone in a bus shelter."

If that is the reality, how do we innovate? How do we make use of that and find ways to make it work for us? The international financiers and the venture capitalists are not coming into the United Kingdom as a whole and Scotland specifically because very few of the companies in my sector

are investment ready, and they are very unlikely to be so in the near future.

The Convener: As the parent of a six-year-old and a five-year-old, I agree completely with everything that you said about Minecraft. Grand Theft Auto is not on the agenda, but Minecraft certainly is.

Chic Brodie has some follow-up questions.

Chic Brodie: Good morning. I was surprised to learn that more than 50 per cent of the jobs in the creative industries are in Glasgow, Edinburgh and Aberdeen. As a proud Dundonian, I am surprised that Dundee does not feature more prominently.

You said that, for some people, running a company is a by-product of a desire to make games. Of course we need innovation, but how do we determine which small businesses should qualify for funding? We need to do that in a much more meaningful way so that funding is more focused than it is at the moment. It seems to be anarchy when it comes to how funds are distributed.

Brian Baglow: Specifically on the games side of things, there is no funding out there. There are probably more than 90 games companies in Scotland at the moment—you will be delighted to hear that more than 50 per cent of them are in Dundee—and the vast majority of the games that come out of Scotland are self-funded in some way. They are bootstrapped, which means that the company uses the proceeds of the previous game to finance them, or the company uses its own funds. There are very few companies that are bringing in any finance.

Chic Brodie: I want to follow up on the question of business skills, which Gregor White commented on. Innovation is great and we have plenty of creativity but, at the end of the day, it is necessary to have substantive business skills. You say that, for some people, that is a by-product. The fact that people who create products are running off to do accountancy courses surprises me. Are the business skills there? Is there sufficient knowledge of the industry, such that it is possible to get business mentoring? Is the business gateway doing the job that it should be doing? Does it understand the industry? Does the same go for Scottish Enterprise?

Brian Baglow: One issue is that there is a great deal of support available and plenty of opportunities, but, as Gillian Berrie and Gregor White have highlighted, it would be possible for someone to spend their entire working life just finding out which support organisations are out there. The last time I counted, there were 35 public sector and other organisations in Scotland that are involved in the games sector in some way.

Chic Brodie: Thirty-five?

Brian Baglow: Thirty-five.

Chic Brodie: How many of them overlap?

Brian Baglow: That is a very good question. Perhaps you can help me to find out. They include Scottish Enterprise, Scottish Development International, the Cultural Enterprise Office, Creative Scotland, Arts & Business Scotland, TalentScotland—that was a new one on me—the British Academy of Film and Television Arts Scotland, Creative Skillset—

Chic Brodie: Scottish talent was certainly not on display at Celtic park last night.

Brian Baglow: I refuse to respond to that on the grounds that I might say something unfortunate.

There is support available. There are many organisations that help people to set up their businesses. The business gateway does a fantastic job. We have grown from a position in which there were six companies in this area in 1997 to one in which there are approaching 100 in 2014 because Scottish Enterprise and the business gateway are fantastically good at helping businesses to start up.

The issue is how those businesses are incubated—I thank Gregor White for highlighting that—and taken through to become successful and commercially viable. For me, among the biggest issues are where Scottish Enterprise stops and Creative Scotland starts, what Skills Development Scotland does and where TalentScotland comes in. All those organisations have different offerings. If anyone here can point me to a map that shows what they all do, how the system works and how everything links together, I would be absolutely astonished.

10:45

Professor Follett: I totally agree that the real issue for creative businesses is the commercialisation of their ideas. They have the skill sets to produce and prototype the ideas and get them to the pre-commercialisation stage, but the big gap in the market is the infrastructure to commercialise their products. They are very good at creating one, two, 10 or 15 pieces, but the question is how they create 10,000 or 100,000 pieces.

That is the gap in knowledge, and helping those companies get that kind of expertise is very difficult. We have been trying to partner them with other businesses so that they can learn from those who are already in the marketplace but, although mentoring is a really helpful system, we do not have enough mentors to help with commercialisation or any experts to help with the

commercialisation process. We probably lose 80 or 90 per cent of our capacity at that point.

Chic Brodie: That was my point. There is no point in having a business mentor who does not understand the product or service that is being offered.

Professor Follett: Indeed. That is the point at which things fall over.

Chic Brodie: Having spent some time at Stanford University in California, I was interested in Professor White's submission. Am I right in thinking that you have a prototype fund?

Professor White: Yes, Abertay University has such a fund—or it did have, until very recently.

Chic Brodie: The Scottish Parliament information centre briefing that we have received says that the fund provided

“grants of up to £25,000 for small companies”

but that the university

“did not take ownership of any IP or equity created during the project.”

Why not?

Professor White: As far as the prototype fund rather than the university itself was concerned, it was very difficult to exploit intellectual property. These start-up companies came into the space with existing IP, which might have been tied up in other relationships with a publisher, partners or whatever. As a larger idea, IP in the games sector is very difficult—

Chic Brodie: But surely it is not difficult to exploit IP if you are handing over £25,000. Must that not be a negotiating point?

Professor White: I did not run the prototype fund as a project. As I understood it, the agreement contained a clause in which there was an expectation that the companies would give back our contribution should they go into profit or go into profit in a significant way. It was a gentleman's agreement rather than a commitment to reinvest that money in prototype as a whole.

Brian Baglow: I might be able to chip in here. There was such an agreement and expectation with regard to receiving money from the prototype fund. As Gregor White has pointed out, there is zero value in untested IP in the games market, but there is potential value in a prototype. The notion was to help people create the prototypes, which could then be sold. If they went to market and had any commercial success, there was an expectation that the money would be paid back to the fund itself.

Chic Brodie: The difficulty that I see in many areas is that public money is invested in these so-

called winning products and the only return might be the repayment of the initial loan. I would much rather see some equity and perhaps a much greater public return on public investment.

Brian Baglow: I agree.

Chic Brodie: Or it should be recycled. Is the money that you get back recycled?

Professor White: It would be put back into the fund and used to support future projects.

Professor Follett: There is an issue with IP for small companies. We take either a share of the IP or an equity share of the company that we have birthed. However, having spoken to quite large companies and medium-sized enterprises, we have found that protecting IP is very difficult in the marketplace, so we use the university as an IP shelter for the companies that we invest in and support.

The university has quite sharp elbows, and if someone treads on that company's toes, we can use the university to deal with the legal aspects. It is beyond the wherewithal of small companies to take others to task on such matters. We have seen the problems with Apple, Samsung, Nokia and everyone else. Protecting IP is just a difficult area.

Brian Baglow: The games sector is creating more original intellectual property now than we ever have in the past. In 2013, Scotland produced 93 games, 86 of which were based on new and original intellectual property. Minecraft and GTA aside, if anyone can name me five of those games, I will give them a £20 note. The issue is not so much the creation or even the protection of IP but its exploitation and commercialisation, which brings us back to the need for business skills to make those things work in a global market.

The Convener: Alison Johnstone is next on my list.

Alison Johnstone: I am really enjoying this morning's evidence. Some of it has been very well presented and entertaining, and we are learning a lot from it.

Although we are hearing a lot of really exciting things and although these industries have massive potential, I am also hearing some frustrating things. It seems that we are not joining the dots, that there is a lot of disconnect and that if we could just get our act together there would be huge opportunities for individuals, the economy and so on.

I want to focus on craft and film making. It has been suggested that Edinburgh and Glasgow are lagging behind other parts of the country in their interest and investment in crafts. Given that

Edinburgh is known all over the world for its arts festival, that seems a real shame. It was not until Fiona Logue made that comment that I realised that, in my five years as an Edinburgh councillor, we did not once discuss crafts and the impact that they can have. When the festival is going on, you see lots of crafts when you wander up and down the High Street, but the situation could be a lot better.

Gillian Berrie also suggested that film is in crisis in Scotland, while David Archibald said that the spending increase in Denmark was more than the entire Scottish spend. We have only to look at the impact that Danish film making has made—we are often discussing such films on Monday morning, having seen them on Saturday evening.

I am therefore looking for a recommendation from Fiona Logue and Gillian Berrie on the matter. Do we need a national agency? Should local authorities be making proper investment in crafts and making themselves aware of the opportunities?

Fiona Logue: You are right that, at festival time, you see a lot of stuff on the streets in Edinburgh, but I am afraid that I would hesitate to call it craft. Some of it is of very poor quality, and that damages professional craft makers. I do not know how those people sustain themselves given the prices that they sell their work for. Many of them do it as a hobby or sell, say, mugs that are mass produced in China and bear a transfer-printed image of Edinburgh. People buy those as souvenirs of Scotland, and I find that very upsetting. I know that there have been many attempts to look into the tartan tat shops on the High Street—

Marco Biagi: I think that the term is heritage memorabilia. [*Laughter.*]

Fiona Logue: Thank you. As a result, there are real challenges for those who produce from locally sourced materials quality hand-made pieces that might have taken days to make, because people simply look at them and think that they are expensive. They might be expensive compared with the mass-produced mug, but, when we bear in mind the time, the IP and everything else that has gone into them, they are incredibly cheap.

I have tried to have this conversation with the people who head up arts and leisure in the authorities in Edinburgh and Glasgow, our two major cities, just to get the issue on the agenda. That is, after all, part of my job. Craft Scotland is a very small organisation—there are now five of us—and I spend most of my time out talking to people, trying to put craft on people's agenda. So far, I have been fairly unsuccessful with both of the major cities. They listen to me but then pass me

down the chain and say, "Well, have an exhibition here," or, "Speak to that person there."

In fairness, I should point out that both cities have a small arts and crafts bursary scheme that is matched by Creative Scotland. I do not know how much it amounts to, but it is probably a few thousand pounds. I cannot say that they do absolutely nothing but, as far as exhibitions in their galleries are concerned, there is nothing. The museum of Scotland in Edinburgh has only old craft-applied art. Wonderful examples of silver, glass and ceramics were produced in the 16th, 17th and 18th centuries, but you will struggle to see any wonderful glass or ceramics that have been produced in the 21st century in Glasgow and Edinburgh. That is one of the challenges that I face.

The country has a huge infrastructure of galleries, including—this is just off the top of my head—the Maclaurin art gallery in Ayr and the Dick Institute in Kilmarnock. I have set up a craft curators network to bring together the people who run the cultural infrastructure to see if we can do more to support craft.

Alison Johnstone: There are obviously strong links with tourism on which we should build. People use jargon such as "brand Scotland", but if a tourist takes home something that has no longevity, it reflects badly. Have you had discussions with VisitScotland?

Fiona Logue: I tried to do that. I can tell you about one great success, which is with the National Trust for Scotland. We and the national buyer for the NTS properties' shops are putting together a joint project to have a Craft Scotland collection of work in the shops. The head buyer is fantastic and understands that the people who visit NTS properties want to buy an original piece of work from Scotland. We hope that the new collection will be in the shops in May.

Having proved the concept, I hope to roll it out to other organisations such as VisitScotland and Historic Scotland, but it is like wading through mud.

Alison Johnstone: It certainly sounds as if we need to have a discussion with the national tourism agency.

Fiona Logue: Absolutely.

Alison Johnstone: Thank you. Can I go on, convener?

The Convener: Dennis Robertson has a supplementary question.

Dennis Robertson: Do the universities have a specific role in showing off what they have created in galleries? I am thinking of the two art schools. Glasgow and Edinburgh have probably the two

best art and design schools in Scotland—I apologise to Gray's.

Fiona Logue: My educational colleagues might disagree with me about this, but I am concerned because specialist courses in craft have been removed from most of the Scottish art schools. There is still a glass course at Edinburgh College of Art but specialist ceramic and weaving courses have all been removed during the past several years. I am therefore concerned about where the next generation is coming from.

Dennis Robertson: They still do jewellery.

Fiona Logue: Well, we are awash with jewellers. Colleges still run those courses because it is very cheap for them to provide a small workbench and some small hand tools, and there is no need to run a kiln. I worry about where the next generation of exciting crafters is coming from.

The universities do have shows for graduate work and a number of them have very good residency programmes to give people who have been out of education for a couple of years access to facilities. That is one of the largest challenges for people.

Alison Johnstone: I want to drill down into why we are not taking the opportunities that come from investing in film. I understand that such investment has a fantastic return: for every £1 spent on film, we get back £20-odd. There are huge opportunities in film and we do not seem to be getting a grip. If we were to do one thing, what would it be? Would it be the creation of a national film school? What do we need to do?

Gillian Berrie: A dedicated screen agency would be fantastic, because the synergies between film and screen should be encouraged and explored. We are now at least five years behind Northern Ireland and Ireland. Ireland produces 20 to 22 feature films a year, and we produce only about five or six.

Return on investment varies. For example, for every £1 invested in "Game of Thrones" there is an £8 return, but that is because it is concentrated in a studio. Sometimes the economic return from an incoming production is less because it is transient and disappears before you know it.

A dedicated screen agency would be great but, in the meantime, John Swinney has asked for an immediate realignment of Government agencies such as Creative Scotland and Scottish Enterprise following our meeting with him in March. We are still very hopeful that we will see that realignment and that Scottish Enterprise will come in and start doing some immediate work to repair the infrastructure.

On the wish list, as we said earlier, there is the film studio. As we have spent 70 years talking

about it, we would need to put it in the right place. It would have to be surrounded by an infrastructure—the odd hotel, somewhere to buy a decent cup of coffee and even an airport and some facilities companies—and it would not be likely to succeed in the middle of nowhere. That is my major point.

11:00

Chic Brodie: I understand the issue about the film studio, but what discussions have you had with the major television companies? For example, I understand that the BBC studio is not used a lot. Have you had any discussions with the BBC about utilising any of its infrastructure?

Gillian Berrie: Yes. Scottish Enterprise undertook a feasibility study that looked at over 300 locations in Scotland, including all the existing facilities. It is still in the process of due diligence, but we hope that we will hear something soon.

Chic Brodie: I hope so.

Alison Johnstone: David Archibald suggested that we need to up our game in terms of film education. I think that 80 per cent of pupils in Denmark enjoy film education. Is the comparable figure for Scotland about 25 per cent?

Dr Archibald: It is lower than that.

Alison Johnstone: What difference would it make if more of our pupils had that opportunity?

Dr Archibald: I think that children are entitled to a richer cinematic experience than they might get at Cineworld, for instance. One of the problems that Scottish cinema or film making in Scotland has in terms of exhibition is that it must compete with enormous economies of scale. Even when someone makes a great film, it does not necessarily mean that it will be a successful film.

If children at both primary and secondary school were introduced to a wider range of cinematic material, they might develop wider tastes and, when they are older, they might be much happier to go and see successful small-scale, experimental material, or less blockbuster material. In terms of education, it is also important that people get to experience stories that people in Scotland make so that we understand who we are.

Film education is important at school level, but I also raise in my written submission an idea that I have raised previously, which is that there should be a national film school in Scotland. Most people who want to go to film school still go to England. There is an organisation in Edinburgh called screen academy Scotland, but in my opinion it does not have the oomph of a national film school.

There have been big changes in film education in higher education institutions, with a lot more

happening and a lot more practical courses being taught at postgraduate level. At the Edinburgh international film festival this year, I raised the idea that it would be interesting to explore the possibility of having a national film school without walls that tapped into the considerable talents and skills of people in Edinburgh, Glasgow and the University of the West of Scotland. That idea is definitely worth exploring.

I want to make one other point, which is about the cultural value of cinema. Last week, a film called "The Possibilities Are Endless" received a five-star review in *The Guardian*. It is a small documentary film about Edwyn Collins and his struggle to produce music after an illness. One of the things that film can do—I am not saying that games cannot do it or that other art forms cannot do it—is documentary cinema, which is fantastic for showcasing other aspects of culture in Scotland. Another documentary film in the pipeline is about the work of Alasdair Gray, who has a big retrospective at Kelvingrove art gallery and museum at the moment.

There is the commercial end of cinema that the film industry must negotiate, but there is also a cultural value in cinema that is worthy of investment. Perhaps because the film "The Possibilities Are Endless" is so low budget, it might end up making money. There is a film maker in Edinburgh called Mark Cousins—he is perhaps more well-known as a critic—who operates under the radar of funding and has been quite successful. However, if he got more money, perhaps more people would see his work. The problem is not just with making films, but that if film makers do not have the significant investment that is required to market their work, it might be that nobody will see it.

The Convener: Gregor White wants to come in, and then we will hear from Brian Baglow. Please be brief.

Professor White: I have a visiting role at the film school in Copenhagen and I have spent some time over there. It is an extraordinary place, but it is lavishly funded. It is not part of the education system but part of the culture department and it is funded through that department. It has a five-year postgraduate programme, and students work in production teams for five years and create a number of productions over that period. I will not vouch for the joys of being part of the culture department rather than the education department, but part of the investment package that has recently been put in place is responsibility for the education of the next generation that is coming through.

Brian Baglow: A couple of good points have been raised. The first thing that I would say to David Archibald is that he should get his film

makers to come and talk to us at the Scottish Games Network. We can get stuff seen on iPads and iPhones worldwide. I know that the sanctity of the cinema-going experience is a good thing, but we have a global audience.

That brings me to my second brief point. The bigger issue is that we need to stop thinking about the industries as silos. Film and games are becoming a lot closer as they both use visual effects and animation, and all the creative industries now have to come to terms with the realities of the digital and interactive devices on the market. One of the dangers is that film is treated entirely separately. The games industry has a legacy issue of being the awkward kid in the corner whom nobody wants to talk to. Moving forward, we have to recognise that we are all converging and that everybody needs to start talking to one another, because we want to learn from the film sector just as much as—I hope—the film sector can learn from us.

Marco Biagi: Finland was cited as an example of good practice in gaming, and we have heard a lot about film in Denmark. Is there a tension there, or is there a junction that allows us to go down a Danish route and emphasise culture but also to incorporate other models that are more commercial, such as those of the Canadian provinces, Ireland and New Zealand, which I guess must be the most successful in purely financial terms? Is there a policy choice about that divergence, or is it possible to be both?

Gillian Berrie: I think that it is possible to be both.

Marco Biagi: So what should we do?

Gillian Berrie: Given that Ireland is so close and it has put so much time and effort into developing a strategy that has clearly paid off, we should look at that model initially, as well as exploring the other models.

It is not rocket science. If a task force was empowered to develop a strategy for the film industry that would transform it within a couple of years, it could quite easily be done. It has been done before.

Dr Archibald: It is interesting that the considerable investment in the Danish film industry was supported across the political board. It was not left to state intervention. It attempts to straddle both cultural and economic interests.

I am not an expert on the Danish film industry, and Gillian Berrie knows more about it than I do, but a few years ago people who were involved in it made a strategic decision to attempt to move into English-language co-productions, which it did successfully with Sigma Films, Gillian Berrie's company. The Danish television industry is also

successful, and it exports cultural products that are good for the tourism industry and the Danish economy. It is certainly worth looking in considerably more detail—drilling down, as people say—at how the Danes have managed to do that with such apparent success that they have now decided to spend more money on such initiatives.

The Convener: I am conscious of the time. We need to finish this session at half past 11 because the Minister for Energy, Enterprise and Tourism is coming in to discuss another matter, so we are short of time and a number of members have not spoken yet.

Margaret McDougall: I have found this morning's session very interesting. The theme seems to be that there should be more collaboration within the creative industries because you can help each other. Even small businesses can help each other, as Georgina Follett has said.

My question is about crafts and collaborative working. I noticed that Fiona Logue mentioned Fife and Dumfries and Galloway as good places to be, but we have one craft town in Scotland—West Kilbride, which happens to be in my area. Why are there not more craft towns? It seems a good idea. West Kilbride has a specialist niche in the market, from what I understand, so why has that idea not rolled out across the country?

Fiona Logue: I am not sure that I really know the answer to that. As is so often the case, Craft Town Scotland came about because of the passion and energy of one individual, Maggie Broadley, who worked incredibly hard to make sure that it happened.

It is a lovely model. Within that small, fairly run-down town—the high street still needs some improvement—many of the empty shop units were bought with support from the Moffat Charitable Trust and then handed over to local organisations. A number of makers have moved in and they have cheap access to studio space on the condition that they open their studios to the public at the weekends. At the same time, the Barony centre, which was a church, has been converted into a lovely gallery.

We have been trying to work with Craft Town Scotland on the tourism project, but unfortunately it is in a part of the country that many of the tour operators do not want to go to, and the town itself is not quite enough of a pull. There is not enough happening in the area that American tourists want to see or do. The hotel in West Kilbride has still not stepped up to the mark, the cafes are pretty poor and if you go on a Tuesday, everything is closed.

The Convener: You are not really selling this. [Laughter.]

Fiona Logue: There are some very good ideas that should be replicated, such as Fife Contemporary Art & Craft and the open studios events, which have proliferated throughout Scotland. Many areas now run open studios events for artists and craftspeople.

The challenge for me is that, if someone says that they are going to Dumfries in June, I have to tell them that the open studios event was in May and I do not know where they would go to seek crafts. It is about getting a year-round presence and engaging with the galleries to have something happening on an on-going basis.

Craft Town Scotland could be a model for other small towns, but it would need the energy of an individual to make it happen.

Margaret McDougall: Is there no funding for that? If a group of craftspeople want to exhibit collectively, is no assistance available?

Fiona Logue: A group could apply to Creative Scotland for open project funding if it found a venue. Craft Town Scotland got most of its money from heritage lottery funding, and it got large amounts of funding—it was millions of pounds.

Joint studio complexes exist around the country. For example, Wasps Artists Studios has been going for a long time. There must be about 50 independent studio complexes throughout the country in which artists and makers come together. For makers, the challenge is that four blank walls do not really do it for them. They need access to equipment such as a kiln, cutting materials and any number of different specialist things like that. Models like the printmakers' workshops that were set up for printmakers in Glasgow, Edinburgh, Dundee, Aberdeen, Dunfermline and wherever might be better. They provide studio space with equipment.

However, some of that energy has to come from within the sector itself. It cannot just come from the top down; it also has to come from the bottom up. If people want it to happen, there are ways of making it happen.

Margaret McDougall: You said that the facilities are there, such as studios and kilns, and what is lacking is someone to bring them together. Do people know that the facilities are available?

11:15

Fiona Logue: For students coming out of college, the next step is always a challenge. Although the colleges are quite good at giving some information, students' heads are too full of producing their degree shows. They then suddenly find themselves out of college and wondering what to do.

There is information about studio spaces on our website and on Creative Scotland's website. The bigger challenge for students is how to find funding and get themselves set up in business. Most of them have to balance that against working part-time in a bar or doing any bits of teaching that they can find. It is a bit of a challenge, as it is for any creative individual.

Margaret McDougall: You also mentioned exporting and involvement with the SDI. Have you looked at collaborative working? As part of our inquiry into exports, we heard how difficult it was to get a container and that people did not have enough goods to fill a container by themselves. On Arran, apparently, people collaborate and share space in a container. How much of that goes on in the craft industry?

Fiona Logue: Not a great deal. We are starting to look at that.

To be fair, in the past several years our organisation has focused more on the retail side of things than on the trade side. I realise that there is a gap there, which we are starting to turn our attention to, hence why we are trying to have conversations with SDI and UKTI.

When we take the work overseas, we ship it jointly for all the artists, so that it is easy for them. However, I do not think that you have individuals saying, "We're all going to New York to do the NY NOW show in January. Does anyone else want to share the shipping?" To be honest, most of them will take their products as hand luggage. You do not want to know how they get it in.

Margaret McDougall: They are not going to break into the market selling out of a suitcase.

Joan McAlpine: I am co-convenor of the cross-party group on culture, which had an evidence session on talent retention about six weeks ago. The thing that came through quite strongly was business support for artists, which would apply to the games sector and to Fiona Logue's sector. The Scottish Artists Union conducted a survey of its members and found that 78 per cent of artists did their own negotiating. A musician we took evidence from talked about how the management structure does not exist in Scotland. Specialist lawyers, for example, such as music lawyers, do not exist in Scotland, which means that people have to leave. What do you think of those findings? What can we do to address them?

Fiona Logue: The way I see it is that a lot of makers are attracted to come to Scotland. Interestingly, out of the 13 people I took over to Chicago, there were probably only three who were born and bred and fully educated in Scotland. The other people had all come to Scotland to study and stayed here because of the quality of life. We had two South Koreans and an American who is

about to take up British citizenship. We have a large number of English people who have moved north of the border because they see that the support here is better. I am seeing it the other way round. For postgraduate study, a lot of people will still look to London and the Royal College of Art, because they see that as the holy grail, but lots of them go there and come back. I am not sure that we are losing huge numbers of creative people in our sector.

Gillian Berrie: When it comes to film and screen, I would say that there is a huge talent drain. There are thousands of agents in London, but there is not one in Scotland. There is one legal firm for film and creative industries in Scotland—one lady who operates from home—but the rest are in London. The expertise has gone.

Joan McAlpine: How can we build that up? Obviously, it will not happen overnight. If there was one thing that could improve the situation, what would it be?

Gillian Berrie: We need to create an infrastructure.

Brian Baglow: This is part of a much bigger issue. In the games sector, we have more and more people coming out of our universities. There are four universities and six colleges currently producing games-specific graduates. Abertay University alone has 850—is that right, Gregor?

Professor White: Yes.

Brian Baglow: However, the number of large studios that can employ them has shrunk. They have almost vanished over the past 10 years. The opportunities are now largely entrepreneurial, and that brings us back to the question of how people can set up on their own. What services do they need to grow their businesses and make them commercially viable?

We have a growing infrastructure in Scotland. There are a number of technology tools companies. There are business services companies, such as public relations and marketing companies. Although the infrastructure is growing, it is focused on very small companies, and we do not really have anyone with a global profile.

With all the people coming out of the large studios as they close and those who are coming out of universities, we are losing more and more people either to other industries or to jobs overseas—or they are staying and setting up on their own. We have an initial kick-start through the business gateway, but there is then a black hole. People are simply told, "Okay, you're set up as a business. Good luck." As Gillian Berrie says, we need to find a way to bring people through and to make companies commercially successful.

Dr Archibald: Can I make a tiny point?

The Convener: It will need to be very brief, as we are very short of time.

Dr Archibald: It is about immigration policy, which I realise is beyond the remit of the committee. There is a footnote in my submission that points out that a lot of significant artists came to art school in Scotland and were allowed to stay for two years. Because they were here for one year plus two, they could make connections, they were part of the infrastructure and they made an important contribution. Now they are not allowed to stay for those additional two years, so they come for one year, they leave, and they make a significantly less important contribution. Furthermore, fewer of them will come, and that will be damaging to the universities.

Film fits into that category, too. Duncan Campbell is a film maker who came from the master of fine art programme at Glasgow School of Art and has been nominated for the Turner prize. The point is that film can be at the commercial end, but it can also be at the Turner prize end of things.

Professor White: We retain a number of graduates for similar reasons to those that Brian Baglow has described. There is a particular talent pool of games graduates in Dundee. There is a richness to that community, which can support the industry.

However, something that could become an issue in the future is the financial time bomb of fees south of the border. I think that this is the first year of graduates who have an extended amount of debt, and that will put upward inflation pressure on salaries in all the sectors concerned, including the games sector, which will make working south of the border look much more attractive to graduates.

Richard Baker: The film strategy has just been launched, as Gillian Berrie has mentioned. It sounds to me from what you are saying that it needs to change radically, even at the outset, if it is going to succeed.

Gillian Berrie: It is great to have a strategy. We have not had one for a long time, and we are delighted to have one. However, there is market failure in the sector, and that is a Government concern. Perhaps that requires an intervention.

Richard Baker: How does the Government and public funding support for the industry in Scotland compare with support in the UK as a whole? Northern Ireland has a specific level of investment, but how do we compare with other parts of the country? Do you have any kind of feel for that?

Gillian Berrie: The figure for Northern Ireland is about £12 million; it is about £17 million for southern Ireland. It is £65 million in Denmark—in

fact, it has gone up, so it is probably more than £70 million by now.

We are at the very bottom. The problem is that the money just goes into production and development. We were delighted that the exhibition received some money from the regular funding a couple of weeks ago, but that is completely dependent on the supply of production. Otherwise, the exhibitors will just be exploiting international films. We need to be working on our own products.

Richard Baker: You have said that there is much more film production in Ireland and Northern Ireland because of the level of investment there. Is there a general assumption that if we invested more, we would get the same level of activity here? Are there any specific examples of where we have lost out?

Gillian Berrie: We could have had “Game of Thrones” and Paul McGuigan’s “Frankenstein”. Everybody looks at Scotland, but we have no studio and there is no incentive fund apart from the UK tax credit, so people will go where the incentives are.

Richard Baker: So we could have had a lot more economic impact if we had made that investment.

Gillian Berrie: Absolutely. It is shocking to look at the amount that we have lost out on. However, it is not the end of the world. If we get our act together quickly, we can participate.

Mike MacKenzie: A theme that has emerged from the discussion is that there is a disconnect between the creative industries and the conventional business mindset, and a further disconnect between those industries and the public sector agencies that are tasked with facilitating or assisting them. I wonder whether, in attempting to bridge those gaps, we are not being creative enough with our business models and structures. For example, I was interested in what Gillian Berrie said about a co-operative approach. It strikes me that that might be the right model or it might not. There might be other models we can look at, but I can imagine a scenario in which there are 50 creative people, an accountant and a couple of lawyers in a business entity. How much scope is there to have that kind of scenario, rather than training every creative person so that they can be a part-time accountant?

Gillian Berrie: That could be done very easily. We did some analysis of the Danish film industry and bigger production companies around the world and their infrastructure. We looked at factual, drama and animation companies and at some games companies as well and we tried to define exactly what their infrastructure looked like. We then asked all our members what they needed

and matched the two, trying to create a super-infrastructure that, if put at the centre of the industry, could give everybody shared access and could also transform very quickly. The model needs some development but, if we thought creatively about it, it could be a catch-all mechanism for the creative industries.

Mike MacKenzie: Is being creative about our business models applicable to the other sectors, such as the craft sector? I try to imagine a young Picasso talking to the business gateway, Scottish Enterprise and Creative Scotland instead of Gertrude Stein, and I fear that we would have lost a great artist in the process. Are there clever and creative business models that we could apply that would move the craft sector on?

Fiona Logue: I am not so sure about business models, but you are right about the training and who people speak to. Georgina Follett talked earlier about mentoring.

Some makers have tried to go through business gateway training and the Cultural Enterprise Office, but those makers do not always speak the language; they do not always understand the challenges in the individual sector. To address that, we have been working with the Crafts Council in England, which has some very good schemes. Aimed at emerging makers is a scheme called hothouse, which is for people who have been out of college for between one and three years, and there is another one called injection, which is for more established makers who want to start up and develop their business. That is run by makers who have already established their businesses and decided where they want to go. We could not run that scheme ourselves because we do not have the right economy of scale. That work started this year and I hope that it will roll out and become more successful, because it is tailored to makers.

Mike MacKenzie: I have a final question, convener. I know that we are running out of time, but I have saved the most important one for the end.

I am sure that you are all aware of the Smith commission and of the fact that the Scottish Government will soon, we hope, have some tax-raising powers, or perhaps a lot. Can you see how we can use those powers to creatively assist the creative industries?

Brian Baglow: Yes.

Gillian Berrie: If there was the ability to increase tax credit in Scotland for incoming and indigenous production, it would have a phenomenal and immediate effect.

The Convener: Good. Thank you very much. With impeccable timing, that brings us to the end of this session. I am sure that I speak for all

members when I say that it has been fascinating. I sense that we have only skimmed the surface and that there are a lot more issues to follow up. The committee will have to look at the evidence that we have heard today and consider how we might go forward. In the meantime, I am grateful for the time that you have given to come along today.

11:30

Meeting suspended.

11:36

On resuming—

Subordinate Legislation

Land Register of Scotland (Automated Registration) etc Regulations 2014 [draft]

Land Registration etc (Scotland) Act 2012 (Amendment and Transitional) Order 2014 [draft]

The Convener: Item 3 is consideration of two draft Scottish statutory instruments. I welcome to the meeting the Minister for Energy, Enterprise and Tourism, Fergus Ewing. He is joined by Hugh Welsh, head of data; Grant Hall, head of 2012 act implementation, and Kirsten Simmonet-Lefevre, solicitor, who are all from Registers of Scotland.

Minister, do you want to introduce the instruments?

The Minister for Energy, Enterprise and Tourism (Fergus Ewing): Thank you, convener. Good morning, everyone.

I am pleased to have been invited by the committee to speak to the instruments, which are the final part of a suite of subordinate legislation that must be in force for the designated day of the Land Registration etc (Scotland) Act 2012, which is 8 December. On that day, the new scheme of land registration that is provided for in the 2012 act will come into force, thereby bringing into effect a fairer and more efficient system of land registration for the people of Scotland, and providing the necessary technical tools to enable completion of the land register. The instruments that are under consideration, which I think are narrow in scope, will provide further practical details on what requires to be in place to ensure the smooth introduction of that new scheme of land registration.

Since 2008, Registers of Scotland has been operating a computer system called automated registration of title to land—commonly known as ARTL—to register electronic deeds in the land register of Scotland. More than 90,000 deeds have been registered using the system, which allows solicitors, institutional lenders and local authorities to register electronically certain deeds that affect land register titles. ARTL applications attract an abated fee that reflects the lower cost of processing such applications, which has saved people transacting with property in the region of £1 million in registration fees since the system was introduced in 2008.

ARTL has its legislative basis in amendments to the Land Registration (Scotland) Act 1979 and the Requirements of Writing (Scotland) Act 1995.

Although those amendments will be repealed by the Land Registration etc (Scotland) Act 2012 on the designated day, the 2012 act contains specific powers to enable automated registration to continue from that date. Those powers are being used in the draft Land Register of Scotland (Automated Registration) etc Regulations 2014, which are under discussion today, to maintain a continuing legislative basis for ARTL. Registers of Scotland intends to continue to operate ARTL from the designated day, which is, as I have said, 8 December. The regulations will not change any of the policies that underpin the system. The ARTL system has been modified to reflect the new scheme of land registration that is provided for by the 2012 act.

The regulations restate current policy and practice to ensure that ARTL remains a secure system for electronic registration of deeds. For example, regulation 4 sets out the duties on authorised persons using ARTL, including the requirement for an identity verification meeting between Registers of Scotland and the person representing the organisation in question before they can start using the system.

Regulation 9 will amend the Electronic Documents (Scotland) Regulations 2014 by, among other things, introducing new regulation 6, which makes continued provision to make it competent to register electronic documents in the land register of Scotland, provided that the document meets certain technical requirements. It states that the electronic signature that is applied to such a document must be supplied by the keeper and certified by the keeper's public key infrastructure. Once embedded in a digital deed, the digital signature provides proof that the document has not been altered since it was signed, as well as proof of whom it was signed by and when it was signed. That will ensure the system's security. It is important to make it clear that this Scottish statutory instrument—the draft Land Register of Scotland (Automated Registration) etc Regulations 2014—will not generally allow registration of electronic documents.

The fees for ARTL have been set separately in the Registers of Scotland (Fees) Order 2014, which has been considered by the committee. I am delighted to say that the fees were maintained at their current levels and in August I announced that the statutory registration fees that are charged by Registers of Scotland will be frozen until at least April 2017, thereby maintaining registration fees at the same level since 2011.

The second instrument—the draft Land Registration etc (Scotland) Act 2012 (Amendment and Transitional) Order 2014—is mainly technical in nature and will make amendments to the 2012

act, as well as some consequential amendments to other legislation. Because the amendments are technical, I do not propose to go through the details in my remarks, but I am of course happy to take—with, I suspect, the assistance of my officials—the committee's questions.

The Convener: Thank you, minister.

Dennis Robertson: You said that the fees have been frozen until April 2017. Have you been lobbied to do that, or have you simply decided that the move is good for the registration process and provides a good incentive to move forward?

Fergus Ewing: We are aware of a general desire among the domestic and commercial property sector to be competitive and to maintain costs at as realistic and as low a level as possible, and we have taken those views into account. As a Government, we are also keen to ensure not only that property transactions in Scotland are registered professionally, effectively and swiftly by the keeper of the registers of Scotland—whose performance, I should say, has massively increased since I left practice; I am sure that that is just a coincidence—but that the financial burden of costs is kept to a minimum and that there is certainty about the fees. I am pleased, therefore, that we have been able to confirm that fees will remain at the current—that is, 2011—levels until 2017. That decision was taken after very careful consideration of complex matters such as the level of reserves, which we have discussed before, and with the keeper's full co-operation, assistance and agreement.

Mike MacKenzie: We should perhaps recollect that it was this committee that scrutinised the Land Registration etc (Scotland) Act 2012, to which the minister referred, and that we were broadly supportive of it and welcomed its aims, intention and purpose. I simply record my welcome for the final two instruments that will complete the process of facilitating conveyancing and making the whole system fit for purpose in the 21st century.

11:45

The Convener: Thank you, Mr MacKenzie. Do any other members wish to speak?

Chic Brodie: I will speak just very briefly, convener. I agree with Mike MacKenzie's comments but, as I recall it, we had some lengthy discussions about the computer system. I note that regulation 3 provides for persons who are authorised to use what I understand to be a new system. Is that the case?

Hugh Welsh (Registers of Scotland): No—it is the same system. The regulations simply restate the policy. A few minor tweaks have been made,

and the main difference is that there are fewer questions. What is set out in the regulations is basically in line with the 2012 act.

The Convener: As no one else has any questions, I merely observe that the Delegated Powers and Law Reform Committee has indicated to us that it is content with the wording of both instruments, and that we have received no representation from any external bodies in relation to them.

For the next agenda item I invite the minister to move the motions.

Motions moved,

That the Economy, Energy and Tourism Committee recommends that the Land Register of Scotland (Automated Registration) etc. Regulations 2014 [draft] be approved.

That the Economy, Energy and Tourism Committee recommends that the Land Registration etc. (Scotland) Act 2012 (Amendment and Transitional) Order 2014 [draft] be approved.—[*Fergus Ewing.*]

Motions agreed to.

The Convener: Is the committee content for the convener and clerk to produce a short factual report of the committee's decision and arrange for its publication?

Members indicated agreement.

The Convener: I thank the minister and his officials for attending. Minister, this might be your last visit to the committee in your current position—who knows?—so I just want to wish you success in the coming days.

Fergus Ewing: Thank you very much, convener. I think that your comment was meant in a very constructive way, so I will accept it in that spirit. Of course, it has been a pleasure for me.

The Convener: And for us, minister.

With that, we move into private session.

11:47

Meeting continued in private until 12:11.

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