

ENTERPRISE AND CULTURE COMMITTEE

Tuesday 25 January 2005

Session 2

£5.00

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ENTERPRISE AND CULTURE COMMITTEE

2nd Meeting 2005, Session 2

CONVENER

*Alex Neil (Central Scotland) (SNP)

DEPUTY CONVENER

*Mike Watson (Glasgow Cathcart) (Lab)

COMMITTEE MEMBERS

*Richard Baker (North East Scotland) (Lab)
*Chris Ballance (South of Scotland) (Green)
*Susan Deacon (Edinburgh East and Musselburgh) (Lab)
*Murdo Fraser (Mid Scotland and Fife) (Con)
*Michael Matheson (Central Scotland) (SNP)
*Christine May (Central Fife) (Lab)
*Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

COMMITTEE SUBSTITUTES

Mark Ballard (Lothians) (Green)
Mr David Davidson (North East Scotland) (Con)
Fiona Hyslop (Lothians) (SNP)
Margaret Jamieson (Kilmarnock and Loudoun) (Lab)
George Lyon (Argyll and Bute) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Gavin Barrie (Scottish Executive Education Department)
John Brown (Scottish Executive Education Department)
Patricia Ferguson (Minister for Tourism, Culture and Sport)
David Noble (VisitScotland)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Judith Evans

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 5

Scottish Parliament

Enterprise and Culture Committee

Tuesday 25 January 2005

[THE CONVENER *opened the meeting at 14:02*]

Items in Private

The Convener (Alex Neil): Apologies for being two minutes late. I was down in the smoke. Welcome to the committee. We have received apologies from the deputy convener, Mike Watson, who will be about 15 minutes late.

I ask everyone to switch off their mobiles.

I believe that this may be the last meeting with Jamie Stone representing the Liberal Democrats, as he is leaving to join one of the justice committees. Our loss is its gain. I thank Jamie for his significant contribution to the work of the committee in the past two years.

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): That is very kind of you, convener. I leave you with some regret. I do not know which of the justice committees I am going to—there is a little bit of confusion over it—but it will be revealed in the next few days. Convener—you are still my convener pro tem—you talked some weeks ago about taking the committee up to the Highlands and Inverness. My last request is to warmly encourage you to remain with that notion.

The Convener: Absolutely. I visited AEA Technology at its facility in Glengarnock the other day, and it has invited us to tour the battery factory at Thurso while we are up there.

Mr Stone: The honourable member there will provide hospitality and should be grateful for your presence.

The Convener: I hope that you enjoy yourself in your new, more junior, committee.

This is also the last meeting that Judith Evans will clerk because, unfortunately, she is also leaving us. I thank her for four years of excellent hard work for the committee. I hope that we will be in a position to announce her replacement some time soon, although I have to say that she will be very difficult to replace.

Our first item of business is to consider whether to take items 4, 5 and 6 in private. Unless anyone objects, I suggest that we do so. Is that okay?

Members *indicated agreement.*

National Lottery Bill

14:05

The Convener: We move to our second item of business, which is consideration of the National Lottery Bill. I welcome to the meeting Patricia Ferguson, who is the Minister for Tourism, Culture and Sport, and Gavin Barrie, who is from the lottery and sponsorship unit at the Scottish Executive. As members know, this bill is United Kingdom legislation. Patricia is here today to update us on the bill and to answer our questions. A fair amount of documentation has been circulated on this matter.

Minister, would you like to say a few opening words?

The Minister for Tourism, Culture and Sport (Patricia Ferguson): Yes, convener, if I may.

I thank the committee for considering this Sewel motion so quickly. This UK bill will effectively bring powers north of the border for the first time and give legal effect to the merger of two UK lottery distributors, the New Opportunities Fund and the Community Fund, to fund a new community distributor, called the big lottery fund. This is a key element of the Government's aim to make the National Lottery more responsive to communities' needs and priorities.

Scottish ministers want the lottery to be more responsive to the devolved environment, which is why our partnership commitment makes it clear that we want a Scottish fund. The bill delivers that commitment by establishing a committee for Scotland with a devolved budget and giving Scottish ministers new powers over key controls, including the approval of appointments, the ability to issue policy directions and the power to make annual accounts available to the Scottish Parliament.

The big lottery fund will take a UK approach only where there is a strong need to do so. Indeed, the only UK programmes are large transformational grants and international development. The UK Government has also agreed a less prescriptive approach to the direction of lottery bodies, but three overarching UK themes will give some cohesion to what would otherwise be a very broad remit for the fund.

Scottish ministers have given the big lottery fund in Scotland a framework to conduct a targeted consultation, and we are discussing with the Scottish Council for Voluntary Organisations the question of the key role that the voluntary sector can play in that respect. We expect that the fund will distribute some £60 million to £70 million a year in Scotland, and programmed development

will be for the fund itself. It has already been made clear that 60 to 70 per cent of funding will be for the voluntary sector.

That brings me to the end of my brief opening comments. I am happy to answer any questions.

The Convener: I would like to ask one quick question before we proceed. Am I right in assuming that if London wins the bid to host the Olympic games, as I hope that it does—*[Laughter.]* I am simply making that clear for the record. If London wins that bid, will separate legislation be required to establish the proposed Olympic lottery game?

Patricia Ferguson: First, I thank you very much for supporting the bid, convener. Indeed, I will make a point of conveying that endorsement to Seb Coe the next time I speak to him. I am sure that he will be delighted to receive it and will mention it frequently.

If the bid is successful, the proposed new game will play a very important role in raising funds to support the eventual holding of the games. I must admit that I am not 100 per cent sure whether that will require separate legislation. Gavin Barrie might be able to help me with that.

Gavin Barrie (Scottish Executive Education Department): To be honest, I am not sure under which legislation the provision for the new lottery game will be made. However, I know that such a game cannot be introduced until the decision on the bid is made.

That said, given that the bill contains provisions for licensing and regulations, I think that provision will already have been made somewhere to allow the Olympic lottery game to go ahead. It might be that it will go ahead through directions issued under existing lottery legislation.

The Convener: Could you follow that response up with some confirmation?

Patricia Ferguson: If I were to make a guess, I would say that any such game would be introduced through direction rather than through separate legislation. However, I am happy to check that out for the committee.

Christine May (Central Fife) (Lab): I remind the committee of my registered interests as a trustee of the Fife Historic Buildings Trust and a former member of the Scottish Arts Council national lottery capital grants committee.

I have a question on the bill's impact on the Heritage Lottery Fund, on which I have already asked a question through my local MP after receiving Colin McLean's communication just before Christmas. The Heritage Lottery Fund provides funding to projects that can take a very long time to get off the ground. As that funding is

the first tranche of funding that such projects receive, it is often the hook on which other funding depends. What assurances has the minister been able to obtain that the measure will not be detrimental to Heritage Lottery Fund regeneration projects in Scotland?

Patricia Ferguson: Before answering that, I should say that I was delighted to visit one of Fife's historic buildings a week or two ago as part of my tourism remit. I would encourage the committee to visit that amazing building, which is stunning.

The issue to which Christine May alludes is the response to a National Audit Office report from some time ago that suggested that a number of lottery distributors were holding balances that were too big. As a result of that report, it was agreed that those balances would be reduced by half. The theory was that other causes could usefully use the money that was sitting in the large balances of some distributors. So far, I believe, those balances have been reduced only by about a quarter, so there is a significant way to go. One thing that we can do is to try to encourage people to reduce those balances.

Given the nature of the funding that the Heritage Lottery Fund provides, I have some sympathy with the case that it has made. However, I think that I am right in saying that the fund's current policy allows it to hold balances equivalent to two years' income—about £480 million—although its current forward commitment level is only £175 million. Therefore, I do not think that the policy will be detrimental to the Heritage Lottery Fund. I can understand why the fund is rightly concerned to ensure that that is the case but, at the end of the day, it is probably not right for it to hold that kind of balance. I can understand why the fund wants to hold a significant balance, but I think that the way that things are going at the moment is the right way to go. I appreciate the need for a balance to be struck—I am sorry to employ the word "balance" in more than one usage—but the fund does not need such a large balance.

Christine May: Let me put to the minister the scenario that, although the Heritage Lottery Fund's committed forward balance might be less than its current balance, the fund is aware of projects in the pipeline that are not yet at the stage at which they can be committed to and that are the subject of on-going negotiations. Will she undertake to clarify the position of those projects to ensure that, in so far as is possible, there will be no detriment to the Heritage Lottery Fund's work in Scotland?

Patricia Ferguson: We must remember that such funding streams do not work on an annualised basis. It is entirely possible, and appropriate, for such organisations to work through their stream and not to be short of money.

They know their forward commitments and they are able to budget for them. What is being asked is not particularly unreasonable. Obviously, however, we are prepared to work with the Heritage Lottery Fund to ensure that it does not suffer detriment.

Mr Stone: My question is twofold. Without in any way wishing to denigrate what has happened in the past—as the minister can imagine, I have been very grateful to this source of funding for projects in the remote parts of the Highlands—I want to ask about the increased powers to direct funding that ministers will be given under the bill. In the past, notwithstanding the best efforts of officials, it has been somewhat complicated and a bit difficult for organisations such as a remote football club to make a small application. Will there be some willingness on the part of Scottish ministers to ease that situation?

Secondly—and possibly more important—although some parts of the Highlands, such as Inverness, have been very successful in attracting lottery funding, other parts of the Highlands have been less successful. Therefore, there is a patchy map of provision of, for example, covered leisure facilities. Such facilities might be numerous in Ross-shire and Lochaber, but not so numerous in Caithness. Bearing in mind the powers of Scottish ministers to direct, would ministers consider keeping some sort of masterplan of bits of Scotland that could do with investment? I know that the applications must come first, but might ministers review the operation of the allocation of the money in the light of such a masterplan, so that we can identify the areas where there are shortfalls and tackle those shortfalls accordingly?

14:15

Patricia Ferguson: I am not sure that we would want to be so prescriptive, as that would go against the whole ethos of what we are trying to do. I am concerned—and I have been concerned as a constituency MSP—that, sometimes, organisations that could do with a bit of help from one part of the lottery do not get that help. Over the past couple of years, the lottery has taken great steps to try to be more accessible to communities and to explain to communities which bit of the lottery is the best bit for them to approach, how they should fill out application forms and what they should include in their submissions. More work could still be done on that. However, I am not sure that I would want to be so prescriptive as to say that we would direct individual pots of money to individual areas or projects. I do not think that that is quite our role.

Mr Stone: Okay. I accept that. However, without committing yourself or ministers and civil servants

any further, will you at least be mindful of the relative imbalances?

Patricia Ferguson: Yes, but that is a hard question to answer without talking about specific projects and, even then, it is for the distributors to assess projects against the criteria. Nevertheless, I hope that distributors will have regard to the specific problems of a certain area and that consideration will be given to those difficulties when awards are made.

There are other things that we can do. You mentioned covered sporting facilities. It may take a partnership of communities coming together to bid for that kind of provision, or there may need to be a partnership with a transport authority to ensure that there are transport links to a specific facility. There are many other things that we can do. We aim to ensure that the money is spent as well as it can be, which inevitably means that there should be some kind of geographical consideration and consideration of the overall aims of the fund. However, we aim to set broad themes rather than dictate where the money ends up.

Murdo Fraser (Mid Scotland and Fife) (Con): Good afternoon, minister. I do not want to get into the continuing debate about Sewel motions in general, but I was quite reassured that this Sewel motion—unlike some others that have come before the Parliament—does not express a view for or against the principle of the bill. That is a welcome development. It means that if we are minded to support the motion, we can do. I know that my party colleagues at Westminster have certain reservations about the bill, but that is not relevant to whether it is a good idea to pass the Sewel motion.

That was just an observation. My question relates to the big lottery fund that is being created for charitable purposes or purposes connected with health, education or the environment. I understand that the UK Government proposes to guarantee a minimum share of that funding for the voluntary sector that may be as much as 75 per cent. Do Scottish ministers have a view on whether a certain percentage of that funding should be allocated to the voluntary sector?

Patricia Ferguson: Yes. We think that that is a good thing and we agree with that aim. We think that, although that is not the entire purpose of the lottery, the public would wish to see their lottery funding being used to support voluntary organisations. We are content with that aspect of the bill.

Michael Matheson (Central Scotland) (SNP): I want to pick up the point that Jamie Stone made about the role that ministers will have in directing funding. The Executive's policy memorandum states that

"Scottish Ministers will direct the Big Lottery Fund in relation to Scottish devolved expenditure".

You are saying that the Executive will be setting broad themes. What do you mean by that and how will you establish what those themes will be?

Patricia Ferguson: The broad themes are those to which Murdo Fraser referred. Within those themes, further categories might be identified, but a lot of what we do will be done in consultation. That is why we are involving the Scottish Council for Voluntary Organisations in discussions and asking it to lead that consultation so that we can develop that part a bit further. Gavin Barrie might want to add to that because he has been involved in those discussions.

Gavin Barrie: That is right. The UK Government has agreed to take a less prescriptive approach to direction of the lottery and that will apply across the UK. That is the kind of framework within which we are operating. The UK Government has already come out in favour of three themes that broadly equate to health, education and environment for the big lottery fund.

Beneath that, Scottish ministers are free to determine a framework for the fund. We have not yet advised ministers on the form of policy directions and what they would look like. To date, we have been busy gathering departments' initial views on what a funding framework for Scotland might look like. The development work on programmes and the consultation will all be conducted by the big lottery fund as part of its method of working with its key stakeholders.

Michael Matheson: The SCVO has particular concerns about what it sees as an erosion of the lottery's independence, given the role that ministers will have in setting themes. It is quite happy about the idea of accountability to Parliament but is concerned about the way in which ministers will be able to establish the themes. Given its concerns, does the SCVO have a statutory right to be consulted by ministers prior to the broad themes being established? Is that in the legislation?

Patricia Ferguson: I do not think that it can be; we in Scotland have decided to do that as part of the overall discussions, but I do not think that it is in the bill.

Gavin Barrie: No, I am sure that there is nothing about that in the bill. The consultation requirements that are set by the bill tend to be about such things as appointments and the amount of funding that is available for each stream. The consultees in the various provisions of the bill are usually Scottish ministers, devolved Administrations and the fund itself. I do not think that there is any reference in the bill to the voluntary sector being consulted on the directions.

Patricia Ferguson: We regard consultation as important, which is why we are doing it. I would argue that, in effect, this is a less prescriptive way of dealing with the situation than has been the case. As I understand it, that is also the SCVO's view.

Michael Matheson: Ministers will have the power to appoint a Scottish representative to the UK board, as well as the power to decide who will sit on the Scottish board. What will that process be? Will the big lottery fund recommend who should be on the UK and Scottish boards, or will ministers decide?

Patricia Ferguson: Gavin Barrie will correct me if I do not get the detail absolutely right. Appointments to the UK board will be made by the Department for Culture, Media and Sport in consultation with Scottish ministers. It will be for the fund to appoint the Scottish committee, so there is a role for both ministers and the lottery.

Michael Matheson: The fund makes recommendations to ministers.

Patricia Ferguson: Yes.

Michael Matheson: It is then for ministers to pass that to the DCMS.

Patricia Ferguson: Are you talking about appointments to the Scottish committee?

Michael Matheson: Yes.

Gavin Barrie: The power is for the fund to appoint its own Scottish committee with the consent of Scottish ministers, so the process will not have to go back through the DCMS. It is similar to the current Community Fund model. The fund makes the appointments for the Scottish committee but does so with the agreement of the Scottish ministers.

Michael Matheson: So the Scottish ministers have the right to veto an appointment if they do not agree about a particular individual.

Gavin Barrie: That is right.

Christine May: I seek clarification about how ministers would ensure that consultation was carried out. Will you be bringing forward subordinate legislation on that, or will you determine how you are going to ensure that and then proceed?

Patricia Ferguson: The latter.

Chris Ballance (South of Scotland) (Green): I was interested in what you were saying about your consultations with the SCVO. My question is about the process. My understanding is that the papers before us came to the committee from the Executive on Thursday afternoon, and that we now have to make a recommendation to the

Parliament for a vote on the bill this Thursday. What opportunity do you feel that has given the SCVO to comment and give evidence to the committee to help us with our deliberations?

Patricia Ferguson: I wrote to the committee on 19 December with the introduction of the Sewel memorandum. I realise that that fell over the Christmas and new year period.

Chris Ballance: But we have not seen the bill and its details.

The Convener: The bill was circulated with the papers for this meeting. It is not the job of the committee to make a recommendation to the Parliament. We are here merely to elicit information. We are not being asked to make a recommendation—that is not part of the process.

Chris Ballance: Written evidence has been received from one body in particular. I was seeking clarification as to how and when bodies have been approached to ask them to give evidence to us.

The Convener: Because this is a UK bill, the pre-legislative consultation was undertaken at UK level by the DCMS, and was not the responsibility of the Scottish ministers or, therefore, this committee. The process brings us in only towards the end, albeit that information was circulated earlier. I am sure that this discussion is relevant to the Procedures Committee's review of how Sewel motions work, rather than being exclusive to the National Lottery Bill or the Enterprise and Culture Committee. We should perhaps consider taking up the wider issues with the Procedures Committee as it conducts its review into the Sewel motion procedure.

Chris Ballance: I accept that suggestion. It just seems odd that the minister should be consulting the SCVO on the matter but that the SCVO's evidence should not form a part of the committee's inquiry.

The Convener: It is not an inquiry.

Chris Ballance: Sorry—that was probably the wrong word. I was referring to our evidence-taking session.

The Convener: Points taken, but they are more about procedure, which is outwith the remit of this committee. We will follow the procedure as it is laid down.

Patricia Ferguson: It might be helpful to Chris Ballance if I try to clarify the matter. I understand that discussions have taken place between the SCVO and the DCMS in the drawing up of the bill. Those have also involved the English and other devolved voluntary organisation umbrella groups. Those discussions took place prior to our introducing the Sewel motion.

Susan Deacon (Edinburgh East and Musselburgh) (Lab): I appreciate that it is not our role to reach a view but, for what it is worth, I would observe that the changes that are being made are incredibly positive. I think that they will make a big difference to how both Scottish ministers and local organisations can influence how the funding is used.

I have one point of clarification, on section 6 and the funding formula. The Executive's memorandum tells us:

"a modernisation at some future date of the formula that determines each Home Country's share cannot be ruled out."

I understand that—it is a statement of fact. Could you clarify what mechanism would be used, should there be a future review of the formula?

Gavin Barrie: It would be for the DCMS to decide whether it wanted to revisit the formula. I do not expect any change to Scotland's share of lottery funds as a direct result of the bill, although, as we say in the memorandum, a modernisation of the formula cannot be ruled out.

I understand that the latest thinking is that it is the big lottery fund that will decide Scotland's share under what are basically the same formulas as those that have applied to the Community Fund and the New Opportunities Fund. An operational decision will be reached on that, but we do not expect any change in Scotland's share of the funding.

14:30

Susan Deacon: Thank you—you have answered my question on the share of funding.

My reading of the information that you have provided is that a new provision in the bill means that the

"Secretary of State shall consult ... the Scottish Ministers"

before making an order on the level of expenditure. I presume that that provision is completely new. It would represent meaningful influence for Scottish ministers, for which there is no equivalent at present. Is that correct?

Patricia Ferguson: I think that that is correct.

Gavin Barrie: Yes, I think that it is. We will be consulted on lottery shares in a way that has not happened before, although there is a commitment to maintain the current lottery shares during the current licence period to 2009. I think that it is right to say that we will be consulted on aspects of the shares on which we were not previously consulted.

Patricia Ferguson: That is one of the aspects of the bill that we regard as very positive.

Richard Baker (North East Scotland) (Lab): I would echo what Susan Deacon said about the many positive developments in the direction of lottery funding in Scotland. I appreciate that you do not want to be too prescriptive to the new committee on the way in which funds should be awarded, but there is an opportunity for a distinctive use of funds in Scotland. The legislation determines quite clearly what the good causes for funding are, but would the Executive be minded to encourage the committee to consider not only those applications that fit neatly into one area or another but those that have cross-cutting benefits—for example, applications for facilities that are beneficial both in education and in health?

Patricia Ferguson: In general, we would be minded to do that. Working in this portfolio, I have learned that no issue stands on its own; they all cross-cut.

The Convener: That concludes our consideration of the Sewel motion on the National Lottery Bill. I thank Gavin Barrie and Patricia Ferguson. I ask Patricia to stay for item 3, for which she will be joined by John Brown and David Noble.

Through the clerks, we will check the timetable for the Procedures Committee's review of the Sewel motion process. Then, in our work programme, we will include consideration of whether we want to make any observations to the Procedures Committee about the process. Do members agree?

Members *indicated agreement.*

Area Tourist Boards Review

14:33

The Convener: I welcome John Brown, who is well known to the committee. He is head of tourism and architectural policy in the Scottish Executive Education Department. I also welcome David Noble, who is the head of network operations at VisitScotland.

Under this agenda item, we will deal with progress on the reorganisation of the area tourist boards. I invite the minister to say a few words by way of introduction.

Patricia Ferguson: Again, convener, I thank you for allowing us to come today to give evidence to the committee on a very important issue. You mentioned that the committee has seen a lot of John Brown lately; he has been here more often than I have. That may change in future, if the ATB review goes the way that we want it to.

The committee is well aware of the policy background to our decision to commission VisitScotland to set up the integrated tourism network. The policy rested on several foundations, one of which was the results of the Executive's consultation exercise, during which a large majority of respondents stressed the need for much better integration of national tourism policy with delivery at a local level. Another fact was that, taken together, the ATBs were in a fairly parlous financial state. As was often said at the time, the status quo was not an option. Since the Executive's decision was announced in March last year, a huge amount of progress on design and implementation of the integrated network has been made.

I am glad to be able to report that the project remains substantially on schedule, although some timing pressures have recently arisen. A lot of detailed work remains to be done by April, but we and VisitScotland are clear that the basic structure will be in place by then. That will be followed by further work that will be carried out by VisitScotland over the next year with the objective of having a fully functioning integrated network in operation by April 2006.

I know that concern was expressed at a previous meeting about the need for a business plan and a budget for the project. The first draft of a business plan and budget was produced by VisitScotland on schedule by the end of December. The draft plan was circulated to all ATB chief executives and, on 5 January, VisitScotland issued to all ATB and VisitScotland staff a proposed organisational structure for the network showing the number of posts in each area. The project team had hoped to make more

detailed information available to staff about job descriptions and salaries for every post; that work has slipped a little, but only until the end of January. I appreciate that the slippage has given rise to some anxiety on the part of staff who had hoped, quite rightly, to see how their jobs fitted into the new structure and which jobs they might apply for. However, I know that David Noble and his colleagues are working hard to get the detail out to staff by the end of January, as Philip Riddle promised in a personal message to staff two weeks ago.

The business plan and the proposed organisational structure for the network were the subject of detailed VisitScotland presentations at a meeting attended by ATB chairs and chief executives in Edinburgh on 12 January. I understand that those present, including the chair of chairs, found the presentations very helpful in clarifying the structure of the network and the methods to be used in key areas such as business engagement.

I know that the VisitScotland budget for next year is of considerable interest to the committee—it is of some interest to me, too. There have been concerns that a budget deficit next year might affect the funding of the VisitScotland area offices. It is important to understand that the budgets for the VisitScotland area offices, which will replace the ATBs from April, will be an integral part of the overall VisitScotland budget. It is also worth noting that the current operating budget for all the present ATBs shows an expected overall deficit of just under £2 million in the current financial year.

Next year, funding for VisitScotland as a whole, including its area offices, will come from the Executive, local authorities, European funds and tourism businesses. Although businesses will no longer pay ATB membership fees, income is expected to be generated from the sale of a range of products and services available across the network.

We are discussing with VisitScotland its budget for the next three years. We are now clear that once efficiencies to be gained from network integration are achieved over the course of 2005-06, the new tourism network will be viable. The budget shows a deficit for next year and discussions with VisitScotland and within the Executive are on-going. However, my objective is to ensure that additional transitional funding for VisitScotland will be in place well before the beginning of the next financial year. I believe that that objective is achievable.

I repeat my assurance that cash balances remaining with certain ATBs at the end of this financial year will be passed across to the corresponding VisitScotland area office for use in that area. They will not be used to meet deficits

elsewhere. I agree with the view expressed that areas served until now by financially prudent ATBs that have built up balances should not be penalised financially for transferring balances to the rest of the VisitScotland network.

Redundancies are another matter that has exercised ATBs and me. VisitScotland's proposed organisational structure included an analysis of the current number of posts in the ATBs and VisitScotland, which together employ around 1,060 people. It also identified a proposed number of 1,025 posts for the new network. The difference of about 35 posts includes some that are already vacant. The balance of the reduction that is needed, which is about 20 to 25 people, is expected to be achieved mainly by voluntary severance. The costs of that are included in the project transition costs, which the Executive is funding. I also confirm that VisitScotland will take on the pension liabilities of all ATB staff who transfer on 1 April.

Another matter that interests many of us is how VisitScotland will meet the commitment not to increase the number of its headquarters staff in Edinburgh. The management of the new organisation, which will employ well over 1,000 people, poses significantly different management challenges to the VisitScotland management team in comparison with the challenges posed by VisitScotland's current size. To address the challenges of managing a much larger network, the VisitScotland management team will be spread across the network. Of the six directors who will report to Philip Riddle, only two will be based in Edinburgh. Another two will be based in Inverness, one will be in Glasgow and one will be in Perth. Not all directorate staff will be co-located with their directors, but many will be, especially in Inverness. That arrangement will ensure that the VisitScotland Edinburgh HQ head count does not increase. I regard that as a satisfactory outcome in terms of our relocation policy.

Much discussion has taken place of how the project has been run and criticism has been made of poor communications and the resultant low staff morale. As chair of the project board, I have taken a close interest in such matters. In its latest written evidence to the committee, VisitScotland has acknowledged that aspects of the project management could have been better. It acknowledged that feedback to groups in the project team was occasionally not as good as it should have been.

The crucial role of good communications often crops up in such projects and I know that VisitScotland has taken the lessons on board. However, it is now time to look forward. The integrated network will be operational in less than 10 weeks' time. The fact that such a hugely

complex and challenging project has remained on schedule is testimony to the commitment of all the people in the ATBs and in VisitScotland who have been involved in it.

The time has come to focus all our attention on how best to use the new network to support the growth in the tourism sector and I hope that we will continue to grow it. Tourism is not just one of the biggest and most important business sectors in the Scottish economy—it is now also one of its best performers. A recent Scottish Chambers of Commerce survey highlighted the fact that the tourism sector continues to perform very well. Optimism, total demand and—most important—turnover and profitability are up. That is a tremendously positive background against which to introduce the new network and the products and services that it will offer tourism businesses throughout the country to help them to perform even more strongly.

The Convener: That was very helpful.

I remind committee members of the sensitivity of the third attachment from VisitScotland. The comments are non-attributed, but those who made them could be identified if they were quoted publicly. It is only fair to respect the fact that the comments were solicited on the basis of anonymity.

Without considering the benefits that will be realised in years to come, what is the bottom line on the total transitional cost of the project? How much of that cost falls into the current financial year and how much falls into the next financial year or subsequent financial years?

John Brown (Scottish Executive Education Department): VisitScotland's budget for transition costs is £2 million this year and £2 million next year. From the numbers that we have seen, we expect VisitScotland to use that whole budget in the current year and to use a bit more than that next year. That transition cost deficit is part of the overall deficit to which the minister referred in her statement when she spoke about the deficit next year and the transition funding that we are looking for to meet that. As the minister said, we hope to have that in place well before the beginning of the next financial year.

The Convener: How much is "a bit more"?

John Brown: The figure is still changing, but at the moment it is around £500,000 to £1 million more.

14:45

The Convener: Is the commitment from the Executive that that unforeseen and unplanned-for additional cost will be added to VisitScotland's

budget and will not come out of the planned core budget for next year?

Patricia Ferguson: We are working on achieving that at the moment. That is the best way to describe the situation.

John Brown: I would like to amplify my response. We had to make an estimate of what the transition costs would be away back in March of last year. It was quite difficult to do so with any accuracy then, because we had not started on the detail of the analysis that VisitScotland has done. The provision of £2 million for this year and £2 million for next year was our best estimate, as it were, at the time, but it was an admittedly very rough estimate. We now have much more information about what the costs will be next year, so we are where we are.

The Convener: What is the payback period for the £5 million transitional costs? In which future financial year can we say, "We've got our £5 million-worth; we're in profit for eternity now"?

John Brown: The figures that we are looking at from VisitScotland indicate that the costs and income of the network as a whole will be in balance in 2006-07 and in surplus from 2007-08 onwards. I would hesitate to give you a specific answer to your question because, as I emphasised, the forward projections of costs and income are still being clarified with VisitScotland. However, on the basis of the information that I have at the moment, I would say that the initial outlay for transitional costs will be recovered in a few years—somewhere between three and four years. I say that just for the guidance of the committee. We are not talking about a 10-year payback period, for instance. It will be much shorter than that.

Patricia Ferguson: We aim to keep it as short as we can.

Susan Deacon: I was struck by the remarks that you made at the end of your statement, minister. I apologise for paraphrasing loosely, but you put great emphasis on the need to look forward—I think that you said that we need to channel all our efforts into looking to the future and the benefits that the new arrangements could deliver. That is a sentiment with which I have a deal of sympathy. Moving on from the details of how the change process has been taken forward, but going back to the objectives as to why that whole process was embarked upon, can you tell us what are the main improvements that you expect to see as a consequence of the changes? How will you, your department and the rest of us recognise that those improvements have been achieved, and when would you expect us to be able to see the resulting improvements?

Patricia Ferguson: As you say, we have to go back to the idea—or rather, the necessity—that drove us to make the changes. We were in a situation in which the financial position was poor and bad. We were also conscious that some of the output was not of the standard that we expect nowadays. At core, tourism is an incredibly valuable part of our economy. It employs a great deal of people and is something that we all want to see grow. The imperative is to get a product that will integrate tourism around Scotland, that will be professionally run and organised and that will provide the best possible showcase for Scotland as a destination. I hope that a great deal of quality will be built into the product—I do not like using the word “product” when I talk about tourism, but I think that you know what I mean when I do. It encapsulates the whole thing, but I want it to be high quality too.

I hope that there will continue to be increases in the number of visitors who want to come to our country, the number of people from other parts of the UK who want to go on holiday or take a short-break in Scotland and the number of Scots who take breaks in Scotland. I want to be confident that what we are marketing abroad, in the rest of the UK and in Scotland is of the best quality. If the number of tourists is up and if what we are marketing is a good product and we are marketing it in an integrated way, those are good, measurable outputs.

Susan Deacon: Will you clarify for us what feedback you get from customers, both at home and abroad, who use the product? In other words, I am interested in knowing what data exist—although I am loth to use the word “data”, because much of what we are talking about is qualitative information. A year from now, how might we get a sense of whether potential visitors from elsewhere in the UK or abroad are getting improved information and a more seamless service than they get at present?

Patricia Ferguson: To be honest, the bottom line is the number of people who come to this country—and perhaps the number of people who come back here as a result of the experience that they had on their first visit. There has already been a big increase in the number of people who come to Scotland. It is possible for us to market the country more effectively; improvement is always possible. That is already beginning to happen and things can only get better as we develop our integrated approach.

I hope that people who come to this country report their experiences. VisitScotland does work on the reactions that people have to what we do. We could come back to the committee on a future occasion to explain that in more detail. If the convener does not mind my making a suggestion,

the committee might want to consider inviting along someone such as Malcolm Roughead, who is head of marketing at VisitScotland, to find out how Scotland is marketed abroad. An amazing package of material is used; in my view, it is excellent. I know that when it has been shown abroad, the response has been good. John Noble might want to add to that.

The Convener: On that point, the European and External Relations Committee is in the process of writing its inquiry report on how Scotland is promoted abroad and I think that its inquiry included consideration of tourism, as well as trade and technology. Once we have read that report, we can decide whether we need to do further work.

John Brown: I do not have much to add to what the minister said. The bottom line was and, in a sense, still is financial. There was a situation that had to be addressed and we have done that. I sketched out the results, although we do not yet know with any precision what they will be. In my view, the integration of the network will give it a power that it did not have before, but I am not well qualified to tell you about that. Before his present appointment, David Noble was chief executive of the Highlands of Scotland Tourist Board. If the minister does not mind, I will bring in a fellow official, as I suspect that he might have something to say in answer to the question that was asked.

David Noble (VisitScotland): The big change that we will see in year one of the transition is that there will be a much more positive approach to how we work with the industry. I know that Susan Deacon’s question was about how consumers would be able to tell the difference, but the first customer group for which we must improve our services is the industry, because it is the industry that delivers services to tourists.

A few years ago, VisitScotland commissioned external research into industry attitudes to the organisation. It pointed to significant problems in the extent to which VisitScotland was engaging and to confusion in the industry about the different levels of organisation that were available in Scotland—especially the area tourist boards and, to some extent, the enterprise networks. The integrated organisation will give us the opportunity to have a one-door approach and will make it easier for businesses to engage with a tourism organisation that is both national and local.

The other change, which will have more impact on consumers and visitors, is that the total effort in promoting Scotland will be built around a national strategy, with area initiatives aligned to support the overall national feature. That already happens to an extent, but it is not as joined up as it should be. That does not mean to say that area marketing will disappear because there will be a single national

organisation; it has been described well as a national dish with local flavour. Scotland, of course, is made up of a multitude of different localities, which all have their strong selling points for the potential visitor. The trick is to get those things lined up behind a simple message to overseas and UK visitors and add the detail as we get them enthused about coming to Scotland.

Murdo Fraser: Thank you for your comprehensive statement, minister, which I very much welcomed. I have two questions on unrelated subjects. I will start with your concluding remarks. I appreciate that it is not entirely productive of the committee to look back at what has happened. However, you will be aware of the evidence that the VisitScotland board and representatives of the ATBs gave to the committee. Putting it politely, I think that there were discrepancies in the different parties' evidence and representation of events. You were gracious enough to acknowledge that there had been failures in communication between both parts of the organisation. What assurances have you had from the VisitScotland board that it has learned the lessons of what happened in the past and can now move forward and bring the whole organisation and the people in it with the board?

Patricia Ferguson: To be fair to VisitScotland, it was gracious enough to admit in its written evidence to the committee that there had been failures in communication. Certainly, the scrutiny that it has been required to undergo as a result of the committee's inquiry has been helpful in taking matters forward. VisitScotland has recognised that in concentrating on achieving the completion of the project, it perhaps missed along the way important nuances about how communication should be done. I have indicated to VisitScotland that I expect things to be done differently in the future. The fact that communications are now going directly from VisitScotland's chief officer to ATB staff is probably a good indication that the lesson has been taken on board. I hope that VisitScotland will progress in that way in the future—I am sure that it will.

Murdo Fraser: Thank you—that was helpful.

Looking forward, my second question is to do with industry involvement in the new structure. Clearly, the industry will no longer be involved through the means of membership. The Scottish Tourism Forum expressed its wish for an improved level of communication with industry groups. I invite you to say a little bit about that. How do you envisage that developing? Will groups such as the Scottish Tourism Forum have specific input into the new structure?

Patricia Ferguson: David Noble can probably talk about that in more detail than I can, so I will pass the question to him.

David Noble: Thank you, minister. The key element here is to build a whole new approach by setting up an industry engagement with Parliament. The director of the relevant department is now in place. He has a private-public sector background and can bring new thinking to how we do this. A team of 32 business relationship managers will support him. In designing their job role, we drew heavily on the experiences of other organisations, including Scottish Enterprise, in building up a customer relations management approach. We also drew on how the private sector works. We looked in particular at the banking sector's good and perhaps not-so-good practice in managing business-to-business relationships. That is how we have replaced membership.

The essence of how we ask businesses to make a contribution is that we offer them the choice of either a packaged approach, involving simple access to advertising and promotion services, which would look very much like membership to many of them; or, at the other end of the spectrum, use of our business relationship team to devise tailored solutions for businesses that need a bespoke approach. That is something that helps them to take full advantage of the channels to the market that VisitScotland can offer. It also helps more businesses to take full advantage of our quality assurance systems and use them to present themselves in the best light to potential consumers.

15:00

Murdo Fraser: Is there industry involvement at a more strategic level?

David Noble: At a strategic level, the chairman of VisitScotland is in the process of establishing two committees that will advise the board. One will be drawn from industry representatives and will give an industry view to supplement that of people already on the VisitScotland board who come from the industry. A parallel committee will involve local authorities in the same way to advise the board on issues arising from the public sector side.

Christine May: I thank the minister for her uplifting statement, which dealt with a number of the concerns that I and others had. I have described Scottish tourism as being Cinderella 10 years ago, but a glittering princess now. It is in all our interests to ensure that it remains the princess and keeps shining.

The Scottish Chambers of Commerce survey stated that last year 35 per cent of tourism was business trade and that business tourism was worth £800-odd million to the Scottish economy. My questions are on building not just domestic and overseas leisure tourism but business tourism,

with local authority and local enterprise company involvement, particularly in devising forward strategies. I note David Noble's comment that there will be two parallel committees: one for industry and one for the public sector. Will you talk a bit about how and where they will come together? If we keep discussing things in parallel, we might find that the parallel lines diverge somewhat.

Patricia Ferguson: Is your question on business tourism?

Christine May: It is about all tourism, but particularly business tourism, to which flights and transport infrastructure and links are extremely important.

Patricia Ferguson: Absolutely. As you know, those involved with my portfolio have a great deal of interest in the route development fund. The successes that we have had with that have been good for tourism and business. Business tourism is incredibly important. Yesterday, when I spoke to the Glasgow Chamber of Commerce about tourism, one of the issues that arose was the use of places such as Glasgow, Edinburgh and Aberdeen for business and convention tourism. I am conscious of the extremely large respiratory medicine conference that was held in Glasgow during the summer and of the changes that have been made since I used to organise conferences in Glasgow, when we bussed in people from Loch Lomond and further afield because we did not have the necessary bed capacity.

Business and convention tourism is an area of huge potential growth, because Scotland is a good product. People might want to come to a convention that lasts a week and will travel quite a distance. They will not want to come to sit in a convention hall for an entire week; they will want to see a diverse range of attractions and to undertake activities while they are here. Some of that will involve retail and some will involve having a look at Scotland's scenery or enjoying our sport. People are doing a huge number of things. The idea is being developed of not just saying, "On day 2 of this convention, you will be able to go and do X, Y and Z." Instead, people are saying, "We understand that you are interested in golf. Would you like to come and experience what we have to offer in golf?" The market is becoming sophisticated and it is important that we respond, as we have a reputation for business tourism, which we want to develop. The special purpose vehicles that are being developed in Edinburgh, Glasgow and Aberdeen, about which we are still in negotiations, will be vastly important in encouraging that development.

I am also conscious that other locations in Scotland want to develop that market. I hope that they can not only work in partnership with the

convention bureaux, but build their own industry in such a way that, in future, we regard them as hubs for such activity, too. That is an important element of what we are doing. David Noble might want to comment further on how the two aspects dovetail.

David Noble: The special purpose vehicles for the three main cities reflect the current position that 80 per cent of discretionary business tourism into Scotland goes to those cities. The minister's predecessor, the local authorities and VisitScotland agreed on the importance of maintaining the strong partnership between the local authorities and the national agency and, in all three cases, of involving the key players in the private sector in promoting those destinations for business tourism. That will be backed up by a Scottish business tourism unit with the role of promoting Scotland as a place to come to for conferences; the unit will work through a seamless handover arrangement to promote the most appropriate destinations for major events.

There will also be a regional element, to provide business tourism specialist support to every part of the country. That follows on to some extent from the predecessor area tourist board convention bureaux, but instead of covering only around 60 per cent of Scotland, the new arrangement will open up access to business tourism support and advice to every part of Scotland, which will help to spread the benefits.

The right balance must be struck. We have enormous strength with the city destinations, which can compare with the major conference destinations worldwide. They need a specialised, city-specific approach, married with a national approach that raises the profile of the country as a whole as a place to come to and in which to carry out discretionary business as a conference visitor.

Christine May: How do you intend to marry the views of the public and industry sectors, not just on business tourism, but on tourism as a whole?

David Noble: We mentioned the chair's committee, but probably more significant at local level is the proposal to establish area tourism partnerships in each network office area. That is not prescriptive, because there is room for flexibility. Where our local offices cover a large area, we could have a greater number of partnerships.

The partnerships will be between VisitScotland, local authorities, enterprise networks, other public agencies and, most important, the industry. Their purpose will be to develop area tourism partnership plans, which will set agreed priorities for how the industry will grow in their areas. The partnerships can contribute to the ambition to grow tourism by 50 per cent over the decade and to ensure that we have allocated tasks, so that

partners commit to playing their part in delivering the priorities. That will be an important part of steering how VisitScotland operates at local level and nationally, but it is also aimed at being a way of involving our partners, because tourism does not stop at VisitScotland—it is a multisector, multi-agency industry.

That is the way forward. The proposals are not a complete innovation, because they build on successful partnership working throughout the country through area tourism strategies and some of the tourism action groups, about which you have heard in evidence. We are starting from a strong foundation. The aim is to build on good practice and to ensure that it applies throughout the country.

Mr Stone: Mr Noble, you correctly anticipated that my question would be about local things. You might be aware, minister, that we had a conference in Inverness recently. The guest speaker outlined to us the threat that we face from destinations such as Belgrade and Prague. Clearly, there is a currency issue there, in that the pound is strong against the local currencies, but the gentleman was clear that we had to look to our laurels in terms of the quality of service that we provide. Could you say anything about that? Perhaps the speaker was exaggerating, but he painted a fairly stark picture of a future in which we might be struggling to attain that 50 per cent growth. I would be interested in your thoughts on that matter because, although we have a Cinderella or a princess, other princesses might be coming up.

Patricia Ferguson: The speaker was right to talk about competition, as tourism is probably the most competitive market in the world. In effect, we are competing against around 193 countries in everything that we do. It is therefore vital that what we are offering is of a high standard and that quality is built into everything that we do. That is why we have put great emphasis on the issue of quality throughout the industry and why VisitScotland is concentrating much of its efforts on that.

When we talk about quality, we mean quality across the board: in the bed-and-breakfast establishment, in the major hotel, in the convention bureau and in the tourist information centre. It is vital that we ensure that that quality is provided and that everything that we do is of the best. I have used this expression before, but you will forgive me for using it again, because it is relevant: we will succeed in encouraging people to come back to Scotland—which is what we want to do—only if we exceed their expectations on their first visit. We have to aim extremely high, remember our ambitions for the country and work towards achieving them.

Chris Ballance: The convener asked about the £5 million transitional cost. Can you reassure me that that is the total cost? Does it include the cost of the consultants PricewaterhouseCoopers, Hay and Co, the new database, the new senior director post and the anticipated shortfall caused by the loss of tourism revenues?

Patricia Ferguson: It is fair to say that that is the total cost that we are anticipating at the moment, as John Brown said. We have not finally bottomed out the costs absolutely, but those are the figures to which we are working at the moment. We are working hard to ensure that those costs do not increase and that we can, ultimately, bring them down.

Chris Ballance: Does the total cost include all the items that I mentioned? Do they come under a different heading, for example?

Patricia Ferguson: I honestly do not think that they come under a different heading.

John Brown: It might be helpful if I emphasise that I used the term “transition costs”. All the items that you mentioned, except the salaries of the directors, are inside the transition costs budget. The salary costs of the directors are in the VisitScotland operating budget. The overall deficit that the minister indicated that she is in discussions about just now is a combination of the transition costs for next year and a temporary operating deficit, which relates to the deficit situation that the area tourist boards were in. As I have indicated, that operating deficit is expected to be sustained only for next year before the budget comes into balance.

Chris Ballance: Minister, you also made a helpful comment about the position of the various staff after the merger. That will be welcome, but I invite you to go a little further. At the moment, with only nine weeks to go, the majority of staff do not know what their job descriptions or grades will be after 1 April, at the start of the tourism season. Can you confirm that those members of staff will have full details of their job descriptions, grades and so on within the period of a couple of weeks that you mentioned?

Patricia Ferguson: Yes, that is certainly the aim. VisitScotland has been clear that that needs to be the position and I put great emphasis on ensuring that staff have as much information as possible throughout the process from now on. I think that VisitScotland agrees with me about that.

15:15

Chris Ballance: That is very much to be wished for, as it is obvious that such uncertainty is not helpful at the beginning of the tourism season.

Patricia Ferguson: Absolutely. I entirely agree.

Chris Ballance: Finally, you said that the route development fund has helped tourism. What figures do you base that assertion on? I have been told by the Enterprise, Transport and Lifelong Learning Department that it does not keep an analysis of the number of tourists who have been brought in by the RDF.

Patricia Ferguson: We can see that the route development fund has helped by the number of routes that have been established through the fund and are being sustained. Since two new routes were established from Sweden two years ago, for example, the number of tourists coming to Scotland from Sweden has increased by 200 per cent. There is a lot of similar evidence that indicates to us that the route development fund is having an effect. We also know that the new route to Dubai has been enormously helpful in opening up tourism to Scotland from the southern hemisphere.

It is inevitable and understandable that, once new routes are established, most traffic will be outward during perhaps the first year or two. However, over a period of time, things have tended to become more balanced and the number of people coming into Scotland has increased. That is why we are concentrating much of our marketing effort on the other end, if you like—the destination at the end of those routes. We want to ensure that we capitalise on the important opportunity that the routes provide.

Chris Ballance: What you say might well be true, but you will realise that, until the Executive starts to collate figures, some of us will maintain that the existence of a route does not necessarily mean that more tourists are coming to Scotland than are going out.

Patricia Ferguson: Perhaps the Swedish figures that I gave are one reassurance, although I am not sure that you appreciate it.

Mike Watson (Glasgow Cathcart) (Lab): I apologise, minister, for the discourtesy of not being at the meeting for your opening statement and hope that I do not ask a question on a matter that was covered in it.

You have talked about employment in the sector, which is a hot issue. I do not want to rake over what seem to be still relatively warm coals in respect of differing interpretations by VisitScotland, the Scottish area tourist board network and some others who are prominently involved, but one issue that has concerned me is the future of the tourist information centres, in which many tourism jobs are to be found. There still seem to be differences of view. The committee has seen—and I am sure that you have seen—the response from Philip Riddle and Peter Lederer to the points that have been raised. Philip Riddle has

made it perfectly clear that the decision on tourist information centres is not the fait accompli that the area tourist board chairs have said that it is. Given the number of jobs that are involved, will you say what the position is? Philip Riddle has said:

“No decision has been made on the re-engineering of TICs and the most likely way forward is that the current proposals will form the basis of a major exercise in year two of the project.”

That means no short-term decisions. Will you say something about the information centres, please?

Patricia Ferguson: I think that information centres will continue to exist in some form, but we must recognise that, as technology moves on and as there is access to information through many other channels nowadays, the centres might have a changing role. They might be located differently, for example, or integrated with other information services at a particular location. There might be such changes. However, you are probably aware that VisitScotland is committed to reviewing the role of TICs in the next year, once the initial part of the project is established, and that review will be on-going.

Mike Watson: This may be an unfair question, given what you have just said. Is it reasonable to expect that some, if not all, of those who are employed in tourist information centres will be redeployed within the structure in some way? Is there not a role for what are, effectively, front-line staff? Everyone in this room will have used tourist information centres when we have gone out and about in Scotland. It seems to me that the skills that those people have are valuable and that the sector would not want to lose them.

Patricia Ferguson: You are right about that. However, that is not something that I would want to second-guess at this point, as a lot will depend on what the review throws up. You missed my opening statement, in which I made the point that, in this initial part of the project, a great deal of care has been taken to try to minimise the number of jobs that might be additional to requirements. At the moment, some 20 to 25 jobs are in that category, the vast majority of which we hope will be dealt with through voluntary severance from the new organisation. I never like jobs to be lost anywhere but, if they have to be lost, I would prefer them to go in that direction rather than in any other. I encourage VisitScotland to take that attitude in the future, if it is necessary to go down that route. However, it would be wrong of me to second-guess what might come out of the review.

Mike Watson: I accept that. Thank you.

When the committee considered the issue last month and Mr Brown was here, one of the issues that was raised was the relationship between tourist boards and local authorities and the

question of local authority funding for tourism. There was some discussion of the prospect of local authorities continuing their funding at the current levels for another year. Is that agreement going ahead? Does it apply for the financial year 2005-06, which begins in April? If so, are discussions on-going about what will happen for the year immediately following that, given the importance of the funding that local authorities provide?

Patricia Ferguson: The vast majority of local authorities have committed themselves to funding for 2005-06. Some have increased the amount of funding that they want to give to the new structure and discussions are on-going about what happens thereafter.

Mike Watson: You are talking about the vast majority of local authorities. Are there areas where there are—or could be—difficulties in relation to funding from April?

Patricia Ferguson: I will pass that question to John Brown, as I am not aware of any specific areas.

John Brown: No. I am aware only of the local authorities that are offering increases in funding. I defer to David Noble, as the director of network operations. It is part of his job to oversee that matter and he had a further round of meetings with local authorities recently. Our general view is that, for 2005-06, as the minister has said, local authority funding is being sustained and, in some cases, increased.

David Noble: I will just put the figures to that. We have had detailed discussions with 24 of the 32 local authorities in the run-up to that budget period, following our discussions with all 32 local authorities earlier in the year. Those authorities represent 80 per cent of the current funding and, so far, no local authority has indicated a cut. The budgets for local authorities are due to be set in mid-February; the matter will not be over until local authorities take their democratic decisions on how they will allocate their funding. Nevertheless, the prospects look good.

We expect to complete our round of meetings with local authorities by the first week in February. So far, year 1 looks good. In year 2, the essential ingredient will be to have much more clarity about the priorities for tourism in each area. That is why we refer to the idea of partnerships and partnership plans, which we see as informing our thinking and that of the local authorities on where in the network investment should go from 2006 onwards.

Mike Watson: Efficient as ever, one of the clerks has been able to specify the quotation to which I alluded earlier. John Brown said:

“Although one or two authorities have decided to trim their tourism budgets next year, one or two are making large increases”—[*Official Report, Enterprise and Culture Committee*, 7 December 2004; c 1393.]

Although I realise that one element might offset the other, my earlier question was designed simply to find out which areas were being trimmed. Mr Noble's comments suggest that no final decisions have been made and that you still hope to meet any such problems in the intervening period.

David Noble: I am not aware that any of the local authorities with which I have been in contact are trimming their tourism budgets. Although all local authorities face some fairly tough budgeting decisions over the coming year, they have all indicated that they are bidding for the same level of budget, at least at the operating department level. In some cases, they are looking to increase the budget, although they have not committed to handing that money over to the network. Instead, they are looking to invest some of that money in other activities. We are continuing to discuss that matter with them.

Mike Watson: That comment clearly reinforces the position that was detailed in December. Things have moved on since the Convention of Scottish Local Authorities gave evidence to the committee in May and obviously we are pleased by all the evidence of partnership working.

I apologise to Mr Brown, but I want to quote something that he told the committee on 7 December. He said that he had been

“leading a senior management team from the enterprise networks and VisitScotland since the summer”.—[*Official Report, Enterprise and Culture Committee*, 7 December 2004; c 1394.]

He also said that he wanted to put together arrangements to ensure that the enterprise network and the tourism network were pulling in the same direction, complementing each other and avoiding overlaps. Can we have an update on that?

John Brown: That work is going well. Indeed, we have pretty well reached the final draft of what we are calling a co-operation agreement between VisitScotland, Scottish Enterprise and Highlands and Islands Enterprise. We hope to give it another shot in Inverness on 8 February, when we will meet for a whole day to work through the detail of the draft. We might need to tidy up some details after that, but I assure the committee that both enterprise networks acknowledge the importance of the matter. I am regularly meeting officials from both networks and VisitScotland and am as confident as I can be at the moment that a co-operation agreement will be in place for April. Such an approach will help the staff of all three networks to signpost businesses efficiently from one network to the other and to deal with any

query that raises questions about which network is best placed to address it efficiently.

Richard Baker: I have a quick supplementary to Mike Watson's question on local authority involvement. In its evidence, COSLA stressed the importance of the business plan in securing local authority buy-in. Presumably, the figures that you have outlined, which show increasing expenditure as a result of local authority and tourism spending, indicate a positive response to the draft business plan that was issued in December.

Patricia Ferguson: That is one of the reasons for those figures and you are right to emphasise the point. However, to be fair, I think that the figures are also a result of local authorities' increasing awareness of the importance of tourism to their areas. Indeed, I have encountered that attitude in a number of meetings that I have had around the country—not all of which, I might add, have centred on tourism. The fact that people have come back to the theme time and again leads me to suggest that the figures are a result of the two elements in tandem.

The Convener: I want to finish by drawing the minister's attention to the report that the Enterprise and Lifelong Learning Committee produced in 2002 on a model used by the Californian Travel and Tourism Commission for involving the private sector. I am glad to say that Gordon Jackson and I visited the commission and saw these things at first hand. Indeed, I am quite happy to do so again if we need an update. Seriously, I feel that a lot of lessons can be learned from that example. Obviously, California has special advantages over Scotland in relation to tourism, just as we have advantages over California. The model for involving the industry was interesting and commends itself.

Finally, since you are here, minister, can you tell us whether Eric Milligan has completed his world tour and when he will present his report on first impressions?

Patricia Ferguson: Speaking of world tours, I thought that the convener was about to invite me to accompany him to California to find out more about its tourism strategies. That said, I will be genuinely pleased to study the committee's report.

I do not know whether Mr Milligan has completed his report—I certainly have not seen it—but we are looking forward to it with great interest. I believe that we can learn some important lessons from hearing about people's first impressions of Scotland.

The Convener: The committee would be interested in receiving a copy of that report when it is completed.

That completes our consideration of tourist board reorganisation. I thank the minister, David Noble and John Brown for their extremely informative and helpful evidence.

15:30

Meeting continued in private until 16:39.

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