ECONOMY, ENERGY AND TOURISM COMMITTEE

AGENDA

17th Meeting, 2008 (Session 3)

Wednesday 17 September 2008

The Committee will meet at 9.30 am in Committee Room 6.

1. **The work of the Regulatory Review Group:** The Committee will take evidence from—

   Professor Russel Griggs, Imes Group and Chair of Regulatory Review Group on behalf of the CBI;

   Stephen Boyd, Assistant Secretary, Scottish Trades Union Congress.

2. **Determining and delivering Scotland’s energy future:** The Committee will consider the written evidence received to date for this inquiry and any emerging issues.

3. **Tourism inquiry: Growing pains - can we achieve a 50% growth in tourist revenue by 2015?:** The Committee will consider the response of the Scottish Government to its inquiry report.

4. **Energy Technologies Institute inquiry:** The Committee will consider the response of the Scottish Government to its inquiry report.

Stephen Imrie
Clerk to the Economy, Energy and Tourism Committee
Room T3.40
The Scottish Parliament
Edinburgh
Tel: 0131 348 5207
Email: stephen.imrie@scottish.parliament.uk
The papers for this meeting are as follows—

**Agenda item 1**

Note by the Clerk EET/S3/08/17/1

Regulatory Review Group Annual Report 2008
The Scottish Improving Regulation Report 2008

**Agenda item 2**

Note by the clerk EET/S3/08/17/2

**Agenda item 3**

Note by the clerk EET/S3/08/17/3

**Agenda item 4**

Note by the clerk EET/S3/08/17/4
Economy, Energy and Tourism Committee
17th Meeting, 2008 (Session 3), Wednesday, 17 September 2008

REGULATORY REVIEW GROUP

Background

1. In order to facilitate the evidence session with the Regulatory Review Group (RRG), the Regulatory Review Group Annual Report 2008 published in July, is attached at Annex A. Also attached is the Scottish Government’s Scottish Improving Regulation Report 2008 (Annex B).

Stephen Imrie
Clerk to the Committee
September 2008
Economy, Energy and Tourism Committee

17th Meeting, 2008 (Session 3), Wednesday, 17 September 2008

DETERMINING AND DELIVERING SCOTLAND’S ENERGY FUTURE – WRITTEN EVIDENCE RECEIVED FOR THIS INQUIRY

Background

1. Members are aware that the Committee’s new inquiry for the autumn is focused on energy – determining and delivering Scotland’s energy future. Members will, where requested, have received hard copies of the many submissions of written evidence received to date for the inquiry. These can be found here:

   http://www.scottish.parliament.uk/s3/committees/eet/inquiries/energyFuture/energySubmissions.htm

Recommendation

2. Members are asked at today’s meeting to identify any emerging issues from these submissions and discuss the inquiry more generally. The clerks will be bringing a more detailed approach paper to the next meeting of the Committee (24 September), to agree a way forward for the inquiry, agree potential fact-finding visits etc. The clerks will endeavour to incorporate any views discussed today into that approach paper.

   Stephen Imrie
   Clerk to the Committee
   September 2008
Economy, Energy and Tourism Committee

17th Meeting, 2008 (Session 3), Wednesday, 17 September 2008

TOURISM INQUIRY – RESPONSE OF THE SCOTTISH GOVERNMENT

Background

1. Members of the Committee will recall that they agreed to a report on the subject of tourism shortly before the summer recess. This report was published on 11 July 2008, and a copy was sent to the Scottish Government for comment. A full copy of the report can be found here:

http://www.scottish.parliament.uk/s3/committees/eet/reports-08/eer08-06-00.htm

2. This paper contains the Scottish Government’s response, see annex.

Recommendation

3. Members are invited to consider the response of the Scottish Government to the Committee’s report and agree what, if any, follow-up action is required.

4. Members will also wish to note that the report and the Scottish Government’s response will be debated in the Chamber on the afternoon of 18 September.

Stephen Imrie
Clerk to the Committee
September 2008
Introduction

The Scottish Government was pleased that the Economy, Energy and Tourism Committee decided to hold an inquiry into tourism, and warmly welcomes its Report of that inquiry, which it regards as a thorough and professional piece of work. The Government welcomes the further emphasis that the Committee’s inquiry has placed on the importance of tourism to the economy of Scotland, and the important role that tourism plays in contributing to the Government’s overall purpose of increasing sustainable economic growth.

The Government notes that all of the 8 key issues identified by the Committee as important to the health of Scottish tourism were addressed in the Tourism Framework for Change, the tourism policy document developed in close consultation with the industry. Work on all of these key issues is already being taken forward by the public and private sectors. The Government agrees with the Committee’s assessment that these remain the main key issues; namely:

- The value of the 50% revenue growth ambition;
- De-cluttering the public/private framework that supports the industry;
- The investment challenge;
- Addressing education, training and skills needs;
- The role of technology, electronic communication and marketing;
- The role of events;
- The future relationship between the public and private sectors; and
- Transport and connectivity.

These issues are covered by the Committee’s recommendations, and are responded to in the Government’s detailed response which is appended. However, there are a number of other issues which is it is appropriate to highlight in relation to tourism and the Government’s support for the industry as it works to achieve the shared growth ambition.

- **Current economic climate.** It is obvious that the current economic climate is significantly different to that pertaining when the original Tourism Framework for Change was launched in 2006, and also when the Committee’s inquiry itself began last year. Despite this the Government considers the growth ambition is still appropriate as a long term strategy even though it is clear that short term growth in the current climate may not be feasible. However, the Government supports VisitScotland’s current action in upweighting its marketing of Scotland in UK markets, bringing forward from winter/spring 2009 some £1.5m of marketing spend for additional promotional activity this autumn. This is aimed at those markets less likely to be affected by the downturn (e.g. the rest of the UK; Canada) and also covers specific projects
such as the Adventure Pass and advice to the industry on dealing with the current difficulties.

- **Refresh of the Tourism Framework for Change.** Although the Committee confirmed its support for the 50% growth ambition, the industry itself, lead by the Scottish Tourism Forum is currently undertaking an initiative to refresh the main points of the Tourism Framework for Change to ensure it is, 2 years after its launch, relevant, focused on the main aspects and implementable.

**National Planning Framework.** There is reference in the Committee’s report (at paragraphs 104 and 105) to the Minister for Enterprise, Energy and Tourism giving a view in his evidence that the national planning framework operates at too high a level to act as a vehicle for highlighting specific locations for key tourism developments. The Government wishes to clarify that the Minister was referring to the overall National Planning Framework, not the national tourism investment plan which is being prepared by the enterprise agencies, SDI and VisitScotland. It is noted that the Committee may consider the investment plan further when it considers the National Planning Framework later this year.

**Appendix A** sets out the Government response to each of the Committee’s 26 detailed recommendations. The same paragraph numbering as in the Committee’s report is used to identify each recommendation. The Government is pleased to agree with the vast majority (20) of these recommendations, agreeing in part with 2, and disagreeing with only 4 of them. The Government also notes the Committee’s intention to return to this subject area next year and looks forward to assisting the Committee in considering what progress has been made by then, especially as a result of the Homecoming project.

The Scottish Government
September 2008
### Recommendations from EET Committee Tourism Inquiry - July 2008

**Scottish Government responses**

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<th>COMMITTEE RECOMMENDATION</th>
<th>SCOTTISH GOVERNMENT RESPONSE</th>
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<td><strong>Targets and ambitions</strong></td>
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<td>229. The Committee recommends, however, that VisitScotland evaluates progress against this [50% growth ambition] on an annual basis and reports its findings to the Parliament and this Committee.</td>
<td>Agreed. The Government is pleased that the Committee welcomed the retention of the 50% growth ambition. In terms of reporting against progress, VisitScotland already publishes a “Scottish Tourism Annual Position Summary”. In line with this recommendation, a commentary section on industry progress towards the ambition will be added to future reports. VisitScotland will be happy to send a copy of this report directly to the Committee.</td>
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<td>230. Furthermore, given the challenges that face the industry in the short-term – rising fuel prices, disadvantageous exchange rates with the US dollar etc – we recommend that VisitScotland and the Scottish Government ensure that rapid steps can be taken if performance against the target dips and/or if tactical changes to tourism policy (e.g. marketing campaigns) are needed.</td>
<td>Agreed. The Scottish Government acknowledges the current challenges facing the tourism industry, from the economic climate etc. However, there are also opportunities from the current strength of the pound against the euro which increases the attraction of Scotland to potential visitors from the Euro-zone countries and also should help to attract more visitors from within the UK who might otherwise have chosen to travel to mainland Europe. VisitScotland has already reacted quickly and made tactical adjustments to its marketing campaigns to focus on areas of strong opportunity. In the UK it has brought forward campaigns specifically targeted at customer groups who are less likely to be impacted upon by economic slow down and at areas of the country where the cost of fuel will not be such a disincentive, e.g. within Scotland and Northern England. At an international level, while retaining attention to the US market, it will focus activity on areas such as Canada (where the dollar and the economy are stronger) and the Euro-zone countries. VisitScotland will also be organising a series of workshops for businesses to advise how they can adapt to the changing marketplace. The Government will monitor the position closely. In addition to adapting its marketing tactics, VisitScotland is also providing support to the industry, offering additional marketing opportunities to them at no additional cost, e.g. the Adventure Pass which was launched in August, providing special offers to visitors on adventure activities.</td>
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<td>231. Additionally, we recommend that VisitScotland and the Scottish Government,</td>
<td>Agreed. The main way that the Government, all public bodies supporting tourism and the tourism industry are working together to implement the Tourism Framework for Change strategy is through</td>
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working alongside industry and transport bodies, take all possible opportunities to articulate the importance of the 50% growth ambition and the need for combined action in the public sector and the industry itself.

the industry-chaired implementation groups. The Strategic Tourism Forum is currently reviewing how this network is operating with a view to refreshing the focus of the strategy and how it is best communicated to the industry.

Communication of the importance of the 50% growth ambition is central to VisitScotland’s corporate communications strategy. Stakeholder research shows that awareness of the ambition is high – according to the VisitScotland 2008 Stakeholder Survey, 91% of stakeholders are aware of the growth ambition.

Clarity of functions

| 233. The Committee recommends that the Scottish Government gives serious consideration to a closer alignment of tourism product development and investment within the national tourist board, which has the expertise and capacity in both such areas. The separation of related functions such as inward investment, quality/product improvement and marketing is simply not a good example of joined up thinking or integrated operations. | Agreed. The Government will give serious consideration to how the public sector bodies involved in tourism can be further aligned to maximise the support they provide to the tourism industry in working towards the shared growth ambition. However, it will seek to achieve this, in the first instance, through more effective joint working across the existing agencies and remits.  

The current joint work between SDI, VisitScotland and the enterprise agencies to prepare a national tourism investment plan will continue, although there will also need to be close involvement with the tourism industry itself, both directly and through the Scottish Tourism Forum, to ensure the plan has a firm grounding that the industry will wish to deliver. It will also be necessary to work closely with local authorities in developing the delivery mechanism for the plan, as development planning is a vital part of the investment process.  

If joint working between public sector agencies does not yield adequate results, the Strategic Forum which is chaired by Ministers is a suitable mechanism to consider if further changes are necessary. |

236. We do, however, recommend that the Scottish Government reviews the marketing and tourism promotion strategies of Historic Scotland and instructs the body to play a more active role alongside heritage groups and others towards the shared marketing of Scottish tourism through its unique properties. | Not agreed. The Government sees no need for a review. Overall responsibility for the marketing of tourism in Scotland or in areas of Scotland rests with VisitScotland. Historic Scotland works effectively overseas with VisitScotland to promote the wider historic environment as a significant asset for Scottish tourism. Recent activity has been focussed on USA, Europe, India and South East Asia. Within Scotland, Historic Scotland works closely with the operators of other historic attractions through the Historic Properties Group, which brings together the National Trust for Scotland, the Historic Houses Association and Scottish Enterprise on a quarterly... |
basis. Through this group, Historic Scotland has commissioned a significant piece of research which looks at the future opportunities for the heritage tourism sector. The Group has also promoted joint exhibitions at the National tourism exhibitions (EXPO) for the last two years, developed a joint ticket for access to a range of historic attractions as part of Homecoming 2009 and started to promote joint initiatives such as extending the visitor season, joint tickets, joint trails and joint leaflets. Historic Scotland is actively involved in several national tourism industry partnerships, including Tourism Framework for Change Implementation Groups for Marketing, Market Intelligence and Innovation, and Sustainable Tourism.

At a local level, Historic Scotland is active in several Destination Management Organisations (DMOs); for example it provides the current Chair of the Edinburgh DMO, established the Stirling ‘Top of the Town’ group, and is a key player in the Loch Ness, Orkney and the Borders DMOs. All of this activity is in addition to the core Historic Scotland work of promoting and marketing its own portfolio of 345 sites, which in 2007/08 had their best year ever in terms of both visitor numbers and quality of service.

However, there may be potential for this activity to be further increased and Historic Scotland and VisitScotland will continue to seek further opportunities for collaboration in which Historic Scotland can contribute a full and developing role in optimising the tourism experience and revenues at both a local and national level.

| 237. Furthermore, the Committee recommends that the Scottish Government and VisitScotland review the myriad of publicly-funded initiatives such as Pride & Passion, Hospitality Assured, Tourism Intelligence Scotland, Scot -Land of Food and Drink etc and declutter and streamline where necessary. | Agreed. The Government is keen to better align the support for the tourism industry and will consider what further steps should be taken on this. However, many of the initiatives listed provide very useful support directly to the industry and are structured to ensure they focus on a specific task related to delivery of our tourism strategy. Some of the initiatives, such as Pride and Passion, have been initiated by the industry itself, and then given some public funding; thus encouraging industry leadership and ownership - which are vital. Some of the initiatives are industry-led and have functions which are wider than tourism (e.g. Scotland Food and Drink) and it may not be appropriate to change their constitution or merge them with other tourism initiatives. Others, such as Hospitality Assured, are proven business development tools and are well-used by the sector. |

| 238. As a quid pro quo for... | This is a matter for the tourism industry and the... |
a greater clarity of functions within the public sector, the Committee recommends that the leading industry bodies consider whether a move towards a single, more unified trade body, speaking with one voice wherever possible would be beneficial to the industry. We believe firmly that it would.

Ease of investment

241. We recommend that the Scottish Government, through Scottish Development International and VisitScotland, moves rapidly towards the development of a national tourism investment plan and strategy that identifies gaps in provision (e.g. a new resort, new marinas, quality hotels etc), works towards clearing any obstacles to these in advance and aggressively markets these investment opportunities in Scotland and around the world.

Agreed. The Government welcomes the endorsement of the work already underway to establish a national tourism investment plan. The enterprise agencies and SDI are the main tourism infrastructure investment agencies for Scotland and they are working together with VisitScotland and the industry to develop the plan. Work is currently underway to assess the future investment needs based on current and future markets, current and planned investment activity, where there may be gaps, and what action needs to be taken to address these. For example, the full potential of the Aberdeen and Perth conference centres cannot currently be realised due to the lack of appropriate hotel accommodation. Conferences which may have been attracted by the conference facilities are often forced to go elsewhere due to a lack of supporting infrastructure. Similarly, new resort developments would help Scotland to attract more international visitors and business tourism visitors, both of which are high value sectors and whose growth is pivotal to the growth ambition.

Significant industry and public sector consultation and support will be required over the coming months to ensure sufficient levels of buy-in to the concept and process of developing a single investment strategy.

242. We further recommend that the Scottish Government and VisitScotland review the workings of the Austrian and Swiss tourism investment banks to see whether such an initiative could be part of a new national tourism

Agreed. VisitScotland is conducting research into the Austrian and Swiss tourism investment banks, with particular interest in the Austrian example given the similarities between the Austrian and Scottish tourism industries in terms of the scale, ownership and location of accommodation providers and in terms of the size of the industry and its importance to the local economy. The Government in Austria has made a clear commitment to the tourism sector via the development and partnership funding of the Austrian
investment plan (see paragraph 87).

Bank for Tourism Development. VisitScotland is also looking at the arrangements in Switzerland and will report to the Government in due course.

243. We recommend that the Scottish Government, with the Scottish Funding Council and through Futureskills Scotland, look at this issue [lack of qualified planning officers and other key officials within local government] as a matter of urgency and work with the Royal Town Planning Institute and local government to see what can be done in the short-term (e.g. sharing of services) and the longer-term (e.g. improved terms and conditions offered for these key workers, better training etc).

Agreed. As part of the Government’s programme for modernising the planning system we are working with stakeholders, including the Royal Town Planning Institute, planning authorities, COSLA, the development industry and course providers, to examine the most effective means by which access to planning and specialist skills can be maximised in the planning system.

Education, training and skills

246. The Committee recommends that the Tourism Minister works alongside his Government colleagues and key agencies to declutter and rationalise the provision of education, skills and training in the sector and reprioritise the resources towards a system that is demand-led, enjoys the support of the industry and which offers a smaller number of industry-approved and government-certified courses delivered by a limited number of centres with a geographic spread.

Requires further investigation. The Government’s skills strategy, Skills for Scotland, recognises the need to develop a demand-led skills system which is responsive to the needs of employers and individuals. It supports the use of a sectoral approach in achieving this and looks to Sector Skills Councils (SSCs), such as People 1st for the Tourism industry, to articulate employers’ skills needs and work with education providers and national agencies to address these. People 1st is already working with Skills Development Scotland (SDS) to ensure demand-led skills interventions which best suit the needs of the industry.

While it is not the role of the Scottish Government to decide which qualifications or courses should be provided by colleges, universities and private training providers, we do believe there is a need for further consideration of the Committee’s concerns about the volume and relevance of provision. The Scottish Government will convene a meeting of People 1st, the Scottish Tourism Forum, the Scottish Funding Council, Skills Development Scotland, the Scottish Qualifications Authority and the enterprise agencies to take this discussion forward.

247. Furthermore, we recommend that part of this rationalisation should include a move towards

Agreed in principle. The Government is pleased that the tourism industry is taking the lead in discussions around proposals for an industry led and funded hotel school. Officials are engaged with those in the
the establishment of a small number of hotel schools along the lines of the high-quality models used in Austria and Switzerland (see paragraph 87). Emphasis on craft and technical skills is critical. Some degree of public support and funding will be necessary to establish these but they must be led by the private sector.

249. We would also recommend that the Scottish Government, working alongside the trade unions and others, give serious consideration as to how we can improve the knowledge and understanding amongst careers advisers and teachers about the opportunities offered by the hospitality and tourism sectors. The use of short-term industry secondments for careers advisors, perhaps compulsory, would be one such example.

250. Furthermore, we recommend that the Scottish Tourism Forum and other leading industry bodies send out a strong message to employers that we can ill afford to continue with examples of poor practice in terms of pay and conditions (e.g. split shifts). The Committee believes that we must highlight the examples of good practice, offer more role models and also learn from the experiences of other industry who are developing this proposal to explore how hotel schools could add value to existing provision for the industry. We understand that a business plan will be available in late October/early November for presentation to potential investors. While any development will focus on the specific needs of Scotland, it may look to draw on the experience of Austria and Switzerland in developing similar initiatives.
comparable sectors such as retail.

| 251. Finally, we recommend that the Scottish Government reconsiders the provision of adult modern apprenticeships in tourism and agrees to revisit the issue of funding if indications of a greater demand are apparent. In that respect, we suggest that a sustained, industry-led campaign to encourage greater demand of the courses be launched. | Agreed. The Government has asked Skills Development Scotland (SDS) to develop and deliver real change in Scotland’s skills performance for the benefit of individuals and employers, ensuring that our skills interventions continue to meet the needs of individuals and employers in Scotland. The Scottish Government in partnership with SDS has now begun work on future business model development for SDS. The Scottish Tourism Forum will also encourage industry (and employee) demand for attendance on courses. SDS is consulting with training providers and People 1st to get the views of employers and training providers on the potential for improvements in training provision. This consultation exercise is intended to ensure that the most appropriate training interventions, which may not be MAs, are funded to meet employer’s demands for enhanced workforce development provision. It is likely that SDS will begin to phase in changes to delivery from financial year 2009-10. |

**Technology, marketing and communication**

| 253. In relation to tourism information centres (TICs), we recommend retention of broadly the same number but with a move towards such centres offering not only local information but also providing the visitor with up-to-date information and advice on events, attractions and tourist opportunities from all parts of Scotland. | Agreed. VisitScotland’s Tourist Information Centres (TICs) remain an important element of the visitor information network. A key aim of VisitScotland’s recent restructuring was to more effectively integrate pre and post arrival marketing activity in order to create a more seamless customer experience, maximise the value to Scotland of every visitor trip and create ambassadors for Scotland who want to return time after time. Essentially, improved information provision is seen as a key driver to increasing visitor spend and therefore contributing to the revenue growth ambition. VisitScotland is currently undertaking a review of the TIC network, with a view (i) to determining where investment is required; and (ii) ensuring greater synergy between the marketing activity and the look and feel of TICs. It is also exploring new channels of information provision, e.g. SMS messaging, and exploring opportunities to take information to our visitors, e.g. at events where there will be mass audiences. VisitScotland also recognises the need to work more closely with tourism businesses to help them deliver information to visitors. |

| 254. With respect to VisitScotland.com, we believe that the current business model is patently agreement. | Agreed in part. VisitScotland.com has been a success, bringing £65M and over half a million bookings to tourism businesses since it started. Recent changes show that visitScotland.com has |
flawed and obsolete. We recommend that this is rethought, focusing on information provision and a comprehensive, free listing service and does not attempt to provide accommodation availability and booking services directly to users but refers them on. We further recommend that the Scottish Government investigates whether additional resources can be provided to move towards the free provision of software for companies to be web-enabled and the extra training and support that will be necessary.

responded to calls by the industry for change. However, the Government recognises that the sector has developed and evolved and that the visitScotland.com website concept and business model need to change further. Research shows that many more consumers now prefer to search the web for options themselves and there is less demand for a telephone and brochure request service. VisitScotland has therefore entered into discussions with other stakeholders to consider how the website can be changed to meet today's demands on it, e.g. with more emphasis on information rather than commercial opportunities, and by connecting customers directly with tourism businesses.

In relation to software and training, SE and HIE are currently running a second annual programme of e-business workshops for tourism businesses, in conjunction with Scottish Tourism Forum.

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<td>258. With regard to Homecoming 2009 specifically, we recommend that the Scottish Government reconsiders the plans and explores all funding options to enhance the programme, which could include financing events that were not successful in attracting support in the recent application round. We urge the organising bodies to focus on collecting and collating data on the overseas visitors that come to Scotland for Homecoming 2009 and to build up a ‘diaspora database’ for future use and marketing purposes.</td>
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Agreed. The Government believes that Homecoming Scotland has the potential to deliver significant economic benefit for Scotland, and that the programme of events which has been launched is impressive. However, it is accepted that the budget is tight, and it is looking at ways in which it can be augmented. Examples are the secondment of full time team members from Scottish Enterprise and the Scottish Arts Council, and the announcement of a £250,000 fund for Homecoming by the SAC

Unsuccessful event applicants were offered in-kind promotional support through the Homecoming Partner programme. The main legacy will a better diaspora database.

EventScotland will measure and report on the economic impact of the Homecoming.

| 259. Additionally, we recommend that EventScotland revisit the issue of monitoring and evaluation and finalise, in conjunction with VisitScotland, a standard, national monitoring model |

Agreed. EventScotland currently uses a model for both pre- and post-event evaluation of tourism impacts. This was developed in close cooperation with VisitScotland and is complemented by data from VisitScotland when required. This model will be reviewed. EventScotland is also working with partners across the UK to develop a model for the measurement of socio-cultural impacts of events. |
for the evaluation of events. This model should focus on the quantitative impact of events.

This will include culture, media, sport, health and environmental factors.

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<th>260. Furthermore, with regard to the valuable lessons in terms of tourism and legacy issues that can be learned from the 2012 Olympic Games being held in London, we recommend that the relevant authorities give serious consideration to long-term secondments of staff to London to work alongside key bodies there and then ensure that all the relevant bodies in Scotland are learning lessons for the 2014 Commonwealth Games.</th>
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<td>Not agreed. The Scottish Government has established a Games Legacy Team to co-ordinate the development and delivery of a Games Legacy Plan for Scotland from the London 2012 Games and, predominantly, the Glasgow 2014 Games. Part of that work involves ongoing engagement with the London 2012 Organising Committee and the UK Government to ensure we can secure all opportunities available to Scotland from the 2012 Games (and indeed to learn any valuable lessons as we prepare to deliver our 2014 Games). That level of engagement is sufficient to take forward our general Games legacy co-ordination work and there are no specific plans for long-term secondments of staff to the London 2012 Games.</td>
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The future relationship between the public and private sector in tourism

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<th>266. We recommend that the Scottish Government and VisitScotland report back to the Committee in due course on its detailed policy as to how they will work with, and provide support to, destination-based organisations along the principles we have set out above.</th>
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<td>Agreed. This is a very important tourism policy issue on which much work is being done. If we are to compete effectively with the other 200 countries that are competing with Scotland for the same visitors, we must all pull in the same direction. Both HIE and SE place considerable emphasis on successful destinations as a key strand of activity underpinning tourism growth ambitions, focused on improving the quality of the visitor experience in the main tourism destinations in Scotland. SE has produced, in partnership with HIE and with input from VisitScotland, detailed guidance on destination development based on international best practice.</td>
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We support the development of properly focused and organised private sector led destination management organisations which ensure a consistently first class visitor experience. VisitScotland will support marketing by such organisations through its Growth Fund where this complements a clear emphasis on managing product delivery to the highest standards and where this fits with VisitScotland’s own national and local marketing strategies. However, VisitScotland does not support destination marketing organisations whose sole purpose is the promotion of an area without having the supporting, consistent management of the quality of experience. |
Transport and better connections

268. We recommend that the Scottish Government gives improvements in this area [direct air, rail and ferry links and ease of travel within Scotland] a high priority as part of its efforts to grow the economy and improve our GDP.

Agreed. It is recognised in the Scottish Government’s Economic Strategy that an efficient transport system is one of the key enablers for enhancing productivity and delivering faster, more sustainable economic growth. Scotland’s National Transport Strategy introduced 3 key strategic outcomes for transport in Scotland:

- improve journey times and connections;
- improve quality, accessibility and affordability; and
- reduce emissions.

The Government is continuing our partnership working with all air operators to deliver new direct international connections which help Scotland do business and make Scotland more accessible.

Rail improvements already taking place across Scotland include implementing the Edinburgh – Glasgow Improvement Programme, which is a significant programme of sustained investment over a 10 year period. It will lead to electrification of the route, the introduction of 2 new fast services on that route with a journey time of around 35 minutes, electrification of services to Stirling, Dunblane, Alloa and Cumbernauld and a new surface link to Edinburgh airport through a new station at Gogar to connect with the Tram. New and faster services between Glasgow Central and Edinburgh will also be introduced enhancing connectivity from the south west of Glasgow, including Glasgow and Prestwick airports.

On timetable developments which allow better connections between rail and ferry, there are planned changes to the timetables on the West Highland Line from December 2008 to ensure that rail services to Oban and Mallaig provide a robust connection with the Mull ferry. Forthcoming enhancements to the timetable in the Far North Line and Kyle lines provide more services and better connections for passengers on these routes. A similar enhancement in the Strathclyde area ensures a better connection between Wemyss Bay trains and ferries.

For ferries, the Scottish Government has recently commenced a comprehensive review of lifeline ferry services. Findings are expected next Spring with a public consultation on the resulting strategy next Summer. The review’s aim is to develop a long term strategy for lifeline ferry services to 2026. The review
will include a detailed appraisal of routes to determine whether a better configuration could be developed in response to calls for new and faster connections serving isolated communities and a review of fares structures. In addition, the Government has carried out a study into Road Equivalent Tariff (RET) and a pilot project on RET to the Western Isles will commence in October this year.

| 269. The Committee recommends that the Scottish Government considers establishing destination marketing initiatives, targeting customers on potential new flights into Scotland. This would not involve direct subsidies to the airlines, but would involve clear branding and marketing and air route development. We would also like to see similar initiatives with the railway companies. | Agreed. VisitScotland already works in partnership with a number of airlines to undertake joint marketing activity to promote direct flights and thus connectivity to Scotland. Examples of recent partnerships include Continental Airlines where VisitScotland is currently in a five-year partnership with a spend of £4.3m for the US market and Easyjet with a £1m campaign attracting visitors from the London market which has previously been a difficult target market. | VisitScotland also works with rail companies, including Scotrail and National Express. For example, earlier this year VisitScotland ran a successful campaign with Scotrail promoting the sleeper route. Such campaigns are aimed at dispelling the myth that it is difficult and costly to get to Scotland. |

| 270. We were disturbed by the evidence received from some witnesses in relation to the pricing structure operated by Caledonian Macbrayne, which appears to discriminate against coach operators (see paragraph 221). We recommend that this is reviewed without delay | Not agreed. CalMac's vehicle charges on its ferries are not based on a common price per lane metre used by the relevant vehicle. Instead, the company's long-established policy is to classify a motor home as a private vehicle, with the charge for an 8 metre motor home set at 1.5 times the rate charged for a standard length car, plus additional charges for the driver and number of passengers carried. The company classifies mini coaches as commercial vehicles and charges at 75% of the relevant commercial vehicle rate (including the driver), plus additional charges for passengers carried. Accordingly, there is no direct correlation between motor home and mini coach fares, so the real difference in charges on individual journeys would also depend on the total numbers carried in each vehicle type. The introduction of road equivalent tariff based fares following our proposed pilot study would have the effect of reducing very considerably the charges imposed for all vehicle types, but the Government has no plans to require the company to introduce a standard charge per lane metre. |

| 272. Finally, we recommend that the Scottish Government and relevant bodies organise | Not agreed. Recently published Scottish Government research found that transport may not be amongst the most significant barriers to participation in cultural activity, such as time, cost |  |
an urgent summit with transport providers and visitor attraction companies, museums, galleries etc to see what further efforts can be made in terms of joint ticketing arrangements. We also recommend that the Scottish Government seeks similar arrangements in respect of better cross-border ticketing provision. and lack of interest. However, transport is linked to these other barriers. There are examples of good practice in providing public transport links to cultural sites, including the provision of public transport information and integrated ticketing and entry packages. There are also some examples already of joint ticketing initiatives by tourism operators, such as that between the Scottish Seabird Centre at North Berwick and Scotrail. Transport and Culture officials will consider this research and discuss how best to take these issues forward. In light of this there are currently no plans for a summit of cultural and transport interests.

### Data provision and collection

| 273. We recommend that a condition of receipt of the free software and training [on designing websites and offer online booking] are agreements by all the different tourism businesses to collect and supply a limited amount of visitor statistics to VisitScotland on a regular basis. | Agreed in part. The Government agrees with the need for better tourism data from businesses as well as from visitors. SE is currently developing a new tool for businesses for gathering and utilising customer feedback. Part of aim of Tourism Intelligence Scotland, set up under the tourism strategy, is to promote the gathering and sharing of customer intelligence and feedback across industry. |

The Scottish Government
September 2008
Background

1. Members of the Committee will recall that they agreed to a report on the subject of the UK Energy Technologies Institute (ETI) shortly before the summer recess. This report was published on 1 July 2008, and a copy was sent to the Scottish Government for comment. A full copy of the report can be found here:

http://www.scottish.parliament.uk/s3/committees/eet/reports-08/eer08-05.htm

2. This paper contains the Scottish Government’s response (see Annex A). Additionally, the paper contains a copy of the conclusions and recommendations contained in the Committee’s report (Annex B) and the exchange of correspondence between the then Convener and the Scottish Government’s Permanent Secretary following receipt of written evidence from the latter after the conclusion of the Committee’s inquiry (see Annex C).

Recommendation

3. Members are invited to consider the response of the Scottish Government to the Committee’s report and agree what, if any, follow-up action is required.

Stephen Imrie
Clerk to the Committee
September 2008
RESPONSE OF THE SCOTTISH GOVERNMENT TO THE COMMITTEE’S ETI REPORT

The Scottish Government has noted the report of the Economy, Energy and Tourism Committee on the Energy Technology Institute.

Before responding to the report’s recommendations some brief comment is necessary on the presentation of facts. At page 13, the timeline suggests that on 12 June 2007 “Three competing Scottish cities make presentations to the visiting ETI hub selection committee”. This could be misleading. The visitors on 12 June were not those forming the final selection committee. They visited to inform short listed bidders of the process from then on and to hear in outline of what the bidders could offer. But this was not part of the decision making process. That was based on subsequent full written bids and presentations on 6 September. Part of the presentation on 12 June from the Scottish team included information on their 3 potential locations but they were not in competition on that day, or ever in competition in front of the ETI.

This response now turns to the Committee’s conclusions and recommendations.

(Para 125) The Scottish Government agrees that we cannot assume that it will be right in absolutely every case for universities to come together in a single bid for projects of this type. However, the approach taken was entirely consistent with support and encouragement from the Scottish Government and the Scottish Funding Council for research pooling and collaboration between universities. This is allowing effective competition with universities outside Scotland and efficient use of resources. The Scottish Government also notes that while it has encouraged - and continues to encourage - universities to compete for research projects on a collaborative basis, it would not be appropriate for Ministers to be involved in the detailed decision-making process of autonomous universities in bidding for such projects, whether within Scotland or more widely.

(Para 129) The Scottish Government agrees that the final focus on building issues was disappointing. While we will seek to ensure this in not the case in any future project of this nature, we believe the focus of effort now should be on winning for Scotland the research contacts to be awarded by the ETI.

(Para 130) The Scottish Government is not clear why the Committee has suggested that there is a lack of detailed paperwork and lax record keeping. All meetings of the consortium except one were recorded. It is normal practice to record agreements and action points rather than set out a verbatim record and consortium members did not ask for fuller recording. As noted in evidence already presented to the Committee, the meeting which was not recorded did not involve any decisions or action points. Rather the three
cities involved were given feedback on initial presentations of their capacity. This had no impact on the subsequent selection process.

The panel which met on 13 July agreed aggregate marks against criteria set by the ETI. The Scottish Government has already explained why this aggregate marking sheet has not been released more widely than to the Scottish universities who were provided with it in confidence.

In addressing the issue of record keeping, the Committee note that they have been unable to reconcile different views received. It seems that the Committee may have evidence from those who attended some consortium meetings which has not been published. In the absence of this, it is difficult to comment further.

The Scottish Government concludes that, as far as it is concerned, a satisfactory audit trail exists.

(para 134) The Scottish Government regrets that information relevant to this recommendation was provided to the Committee just after the report was finalised. However, e-mails provided to the Committee show that the then Deputy First Minister accepted advice given to him and that a direction was not therefore ignored. The Permanent Secretary has examined interaction with Ministers in May 2007. He has noted that this did cover whether or not Ministerial involvement was appropriate or desirable. He has concluded that, in the future, meetings should be sought with Ministers on such sensitive issues, rather than relying only on written exchanges. In addition, Ministers must have the opportunity for review as a process moves forward.

(Paras 135-137 - Moving forward) – the Scottish Government agrees that the real prize is for research funded by the ETI to be carried out in Scotland. Ministers understand that the ETI is expected to announce in the near future initial research contracts in the areas of marine and offshore wind energy. ETP members have been involved in technical specification groups and in all stakeholder and partnership meetings to date.

Scottish Government
September 2008
COPY OF THE CONCLUSIONS AND RECOMMENDATIONS IN THE COMMITTEE’S REPORT

Introduction

121. In March 2006, the UK Government launched a process to set up the Energy Technologies Institute (ETI), define its objectives, choose its chief executive and, through an UK-wide competition, choose the site for its headquarters or the hub. The ETI would be a public-private partnership with some of the UK’s leading industrial companies and, within a decade, become a £1 billion operation with around 50 high-value jobs based at the hub. As such, and in light of Scotland’s key role in the energy sector, the prize of hosting the ETI’s headquarters was an important one.

122. As our report shows, various Scottish organisations from the academic and public sectors coalesced to develop a single bid to host the ETI and which was successful through all but the final stage of the competition with a consortium from the Midlands and with Loughborough University ultimately chosen as the location for the ETI. To say Scottish organisations were surprised is an understatement and our inquiry has sought to answer the question why the Scottish bid was unsuccessful.

123. The Committee is conscious that in choosing to investigate the circumstances of the failed Scottish bid we risked raising uncomfortable issues that could potentially be damaging for the reputation of Scottish organisations. This is especially important in light of the desire, which we fully support, for Scotland to benefit from the research commissioned by the new ETI. However, not to have sought to understand the process would have been a dereliction of duty and would not enable lessons to be learnt.

The single bid approach

124. The Committee understands the attractions of a single Scottish bid to host the ETI involving as many of the relevant organisations as possible. However, the formation of such a bid needed to involve partners that were willing to work together irrespective of which would be chosen as the specific site proposed from Scotland. It is not clear that this was the case in light of the evidence from former ministers in the Scottish Executive.

125. The Committee recommends that the development of a single bid for projects of this nature in the future should not necessarily be the norm and that all parties must enter into such a co-operative agreement with their eyes open and with a willingness to be involved regardless of developments. Additionally, a crystal clear decision-making process and profile of decision-makers – authorised at the highest levels, including ministerial – is required.
The workings of the ETI

126. In relation to the period May to July 2007, the Committee has some concerns on the process followed in the ETI. The Committee finds it regrettable that the assessment criteria that would be used by ETI staff to mark competing proposals changed significantly during this period and, in particular, far more emphasis was placed on the physical accommodation for the ETI. We believe that this seriously undermined the Scottish bid and it would have been preferable for the ETI to be open right from the outset as to the detailed nature of all the requirements, including the building needed to host the ETI.

127. Furthermore, we find the evidence presented to us that the Scottish bid was a higher risk due to its proposal for a temporary building followed by a move to a new building highly questionable. As the evidence presented to us shows, the winning bid from Loughborough University is also based on a good standard existing building, but not outstanding, and has the option of a move to a new state-of-the-art building.

128. The Committee echoes the comments of Professor Jim McDonald of the University of Strathclyde – a leading member of the Scottish partnership – that it is disappointing that the decisions came down to bricks and mortar and not research reputation and international standing.

129. Our criticisms are something that the Committee recommends the Scottish Government may wish to raise with the UK Government and/or that members of the UK Parliament may wish to raise from this point forward.

The choice of a Scottish site

130. The Committee notes the contrasting evidence received on whether the formation of a single Scottish bid and the decision-making process that followed to choose a site was open, transparent, fair and harmonious. It has been impossible for the Committee to reconcile the different views received and this is highly regrettable. We believe that our work has been stymied by the lack of detailed paperwork and this is symptomatic of lax record-keeping. We find this surprising in light of the value of winning the right to host the £1 billion ETI. The Committee recommends that the Scottish administration reviews the arrangements that were used and learns the appropriate lessons for the future in terms of a clear audit trail.

The role of civil servants and ministers

131. The Committee notes the evidence from the former Deputy First Minister and Minister for Enterprise – Nicol Stephen MSP – and his clarification that the relevant Scottish ministers were clear on their preferences for the host (Aberdeen) but were advised by civil servants not to make this public for fear of disintegration of the single bid. This makes the view that all the universities involved were willing partners and fully signed up to a single bid highly
questionable. It also raises the question as to why the ministerial direction was not acted upon.

132. The Committee is disappointed that the current Minister was unable to provide the Committee with more detail on the interaction between the Scottish ministers and civil servants on the internal decision-making process to choose the location that should be proposed to host the ETI.¹

133. The Committee is disturbed by the evidence received regarding the particular period from February to July 2007 of the process. We accept that whilst there may have been an agreement prior to the election from previous ministers to the process to be followed, this was taken well in advance of the need to decide which of the three cities would front Scotland’s ETI bid and how this would be done. After the election, the Committee is disappointed that the new ministers were not better informed as to what limitations would ultimately be placed on them as a result of the decisions taken on the process that would be followed and whether any options were presented to them that would have given ministers a far greater decision-making role in the process.

134. **We recommend that the Permanent Secretary instigates a “lessons learned” review, reports his findings to the Committee on completion and implements any recommendations in time for any future opportunities of this nature.**

**Moving forward**

135. The establishment of the ETI by the UK Government is a very welcome and important initiative. Despite the efforts by a Scottish consortium to win the competition to host the headquarters we were unsuccessful. This is regrettable but the Committee believes it is now time to move on. We fully support the efforts of Scottish organisations, many of which were involved in the bid, to compete for research commissioned by the newly established ETI and we will play our role in helping them and are confident that the Scottish Government will do likewise. The Committee welcomes the continuation of the Energy Technology Partnership as a means of promoting co-operative working and ensuring that Scottish universities submit bids for some of the individual projects to be financed by the ETI.

136. Scotland’s proud heritage and current role in energy matters – from the development of the steam engine to the oil and gas fields offshore – and our current research and commercial capabilities in new and renewable technologies leads us to be confident that we will be successful in winning a significant share of the opportunities offered by the ETI’s work programme.

137. We encourage all universities and research bodies in Scotland to consider bidding for the research commissioned by the ETI. Winning bids for this research is the real prize. In this respect, the Committee will keep under

¹ This paragraph was agreed to by division. The result was: For 4 (Marilyn Livingstone, Lewis Macdonald, Tavish Scott, David Whitton), Against 4 (Gavin Brown, Brian Adam, Christopher Harvie, Dave Thompson), Abstentions 0. The Convener exercised his casting vote in support of this paragraph.
review how well Scotland performs and how much research is won by Scottish institutions.
EXCHANGE OF CORRESPONDENCE WITH THE SCOTTISH GOVERNMENT’S PERMANENT SECRETARY

Letter to the Permanent Secretary from Tavish Scott MSP (dated 27 June 2008)

Dear Sir John,

Energy Technologies Institute

You will be aware that this is a subject on which we have already exchanged correspondence. However, this personal letter from me relates to a specific request made by the clerk of the Committee on our behalf for copies of an email and other relevant correspondence between the then Deputy First Minister and his officials on the choice of location within Scotland for the Energy Technologies Institute.

Our request was made to your officials in late April/early May and followed up with a reminder to officials on 12 May and again on the 30 May. The advice from policy officials was that the request was being dealt with by your office.

At our Committee of 25 June, the Committee finalised its report in the absence of any of the material that we had requested. Subsequently, the clerk received a telephone call later that day, after the committee meeting had concluded, to apologise for the delay and to suggest that the material now be sent.

I am very disappointed at the above state of affairs and the handling of this matter by the administration. This is an important and, as you well know, a sensitive matter. I find the treatment of the Committee and our requests to have been discourteous at best. To now receive the information we had asked for nearly two months previously and only after we had concluded our report is deeply unsatisfactory. Furthermore, despite the repeated follow-up requests, it would have been a matter of public record through the Parliament’s Business Bulletin that the Committee was aiming to finalise its report into the ETI. I fail to see how your officials could not see the urgency of this matter.

Furthermore, I find it interesting to note the contrast between the belated willingness to provide a substantial amount of evidence on the interaction between the then minister and his officials with the absence of similar material from the current administration, despite repeated requests.
I look forward to receiving an explanation from you on this matter and am copying this letter to the Minister for Parliamentary Business given his interest in harmonious relations between the Scottish Government and parliamentary committees, a view I would endorse.

Yours sincerely,

Tavish Scott MSP

Response from the Scottish Government’s Permanent Secretary (dated 9 July 2008)

Thank you for your letter of 30 June regarding the late submission of material requested by the Committee on the ETI.

Firstly, may I offer my personal apologies for the late submission of the information the Committee requested and for both the discourtesy involved and the impediment to the Committee’s deliberations. It fell to my office to respond to the Committee’s request, so I have been able to check first hand the circumstances surrounding the reply. I am satisfied that the misunderstanding about the Committee’s deadline was an honest mistake, flowing in large part from a very heavy workload in the run-up to recess. That being said, I do not consider it acceptable that it took nearly two months to respond and I have made that clear to my office.

I have noted the point you make about the nature of the information provided. I also note that much of this information is already in the public domain and that, where information is not in the public domain, several redactions were made before it was passed to the Committee. I think this reflects a reasonable balance between our commitment to seeking to be as helpful as possible to the Committee, in putting the individual piece of information requested into a meaningful context, and taking into account any broader sensitivity surrounding the material as a whole. I have not seen the precise exchanges that have taken place separately between Mr Stephen and the Committee, but my understanding is that he referred to this material himself in his evidence, which is why the Committee asked for it.

May I conclude by reiterating my first point; I consider Committee business to be a priority for my organisation and I expect my staff to respond accordingly. They will do so in future.

I am copying this letter to the Minister for Parliamentary Business.

John Elvidge