17th February 2011

Dear Iain,

I am aware that the Economy, Energy and Tourism Committee is currently working on its legacy paper and, as part of this is seeking updates from the Scottish Government on progress against the recommendations made in its major inquiries, one of which was the Banking inquiry reported in 2010.

I have attached to this letter a table in the format requested by the Committee. Against each recommendation is the response we initially provided and our progress since May 2010.

Sincerely,

JIM MATHER
**EET Committee Banking Inquiry – update to committee Spring 2011**

<table>
<thead>
<tr>
<th>Committee recommendation</th>
<th>SG response at time of report</th>
<th>Updated SG response</th>
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<tr>
<td>Recommendation 1 We note that the Scottish Government did not refer to the proposed Scottish Investment Bank in evidence and the Committee will therefore seek clarification from the Scottish Government on the role of this institution. We also encourage the Scottish Government to continue to monitor SME access to finance by updating its survey on a regular basis while concerns still exist over access to finance.</td>
<td>Following receipt of a letter of 15 December 2009 from Iain Smith MSP, Convener of the EET Committee, a response was issued on 22 January with a detailed note on the Scottish Investment Bank and the position with regard to the proposed establishment of a JEREMIE fund. We also offered to provide whatever supplementary advice the Committee might require. Following the Cabinet Secretary for Finance and Sustainable Growth’s appearance before the Inquiry on 10 February, the Committee wrote to him on 15 February seeking supplementary evidence and he responded in full on 28 February. The request for supplementary evidence did not include any reference to the Scottish Investment Bank, and as he had already provided information to the Committee on this in the letter of 22 January - prior to his appearance before the Inquiry, he concluded that nothing further was required at that time. Since then, on 21 April, the Scottish Government announced plans for a £50 million loan facility to be delivered through the new Scottish Investment Bank to help growth and exporting firms to expand and so boost economic recovery. Officials have since provided the Committee with more detailed information on this.</td>
<td>Scottish Enterprise has now re-launched its equity products under the Scottish Investment Bank brand, obtaining the necessary FSA clearances to do so. Demand for these equity products remains high with the likely level of investment in 2010/11 being similar to the previous year’s high level. With regard to the new Scottish Loan Fund, Cabinet Secretary for Finance and Sustainable Growth informed the EET Committee on 2 February that it is now in place and ready to do business. We have added a further £5m to the original £50m resources available for the Fund due to an extra £2m in ERDF, secured under the Highlands and Islands Programme, matched with £3m commitment from Highlands &amp; Islands Enterprise. This brings the total public sector commitment to £55m, and further strengthens the Loan Fund’s availability to eligible firms right across Scotland. Part of the Scottish Investment Bank (SIB), the Loan Fund will provide loans of between £250,000 and £5 million and will target those companies which</td>
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<td>SME access to finance, the Scottish Government will continue to follow-up on the analysis and evidence emerging from the survey work over the course of 2010/11, including a further update to the survey to ensure that credit conditions are monitored for any improvements in access to finance. We will keep the Committee informed of results.</td>
<td>demonstrate growth or the intention to grow and exporting firms, as they have the most to contribute to Scotland’s economic growth. The Scottish Government will continue to monitor credit conditions in Scotland through its own survey on <em>SME Access to Finance</em>. To date, these reports have been published widely, and the findings discussed with the banks, to ensure business needs are fully recognised and met. We are currently updating our survey for publication of conclusions in spring 2011. We will keep the Committee informed of results.</td>
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**Recommendation 2:** Recommend that SG formally ask the Office of Fair Trading to review competition in the Scottish banking market.

Responsibility for Competition issues are reserved to the UK Parliament by the Scotland Act 1998. We have, however, been aware of the ongoing work of the OFT in relation to personal current accounts. In its latest report on this issue, published on 16 March the OFT states that it will monitor developments in the market over the next two years and will consider further intervention including recommending legislation, if competition and change fail to deliver expected improvements. In addition, the OFT has also committed, in this report to undertake a review during 2010 looking at barriers to entry into banking. This review will cover the UK including Scotland. The Scottish Government welcomes this commitment and officials will continue to liaise with the OFT on this to ensure that Scottish issues are fully taken account of.

Following the 2 June Scottish Parliament debate on the Enterprise, Energy and Tourism Committee’s report of its inquiry into banking, Jim Mather, Minister for Enterprise, Energy and Tourism wrote to the OFT urging it commit to a formal investigation into competition in the banking sector in Scotland. The OFT responded, suggesting that the SG should contact the Independent Commission on Banking (ICB) which will consider wider competition issues, and advising that any additional investigation by the OFT would now only add unnecessary confusion. The ICB published its Issues Paper and call for evidence on 24 September and the Scottish Government, including with assistance from FiSAB through the FiSAB Banking Sub Group, provided a response to the ICB on 17 November. In its response the Scottish Government made clear that a lack of data in the UK at individual country level means that it is constrained in its ability to provide the evidence required and therefore called on the ICB to ensure that data on Personal Current Accounts, mortgage lending to households and lending to SMEs is collated at individual country level in the UK, including for Scotland. The SG also called on the ICB to ensure that conclusions from this exercise, and each of

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Recommendation 3: In order to develop a sound basis for more engagement on the financial sector, the Committee calls on the Scottish Government to develop a far more detailed and publicly available vision for the sustainable growth of the financial sector in Scotland. This should be developed in collaboration with the Financial Services Advisory Board and include an assessment of the sector, the potential for growth and the identification of the factors that can sustain and grow the sector.

The Financial Services Strategy Group (FSSG), a unique partnership between government, the industry and trade unions, was established in 2003 and was chaired by Jim Wallace, QC MSP then Deputy First Minister and Minister for Enterprise and Lifelong Learning in the Scottish Executive.

The FSSG's mission was:
To align the public and private sectors to develop and deliver a long term shared vision and strategy in order to sustain and maximise the success of the financial services industry and its contribution to Scotland's prosperity.

The aims of the FSSG were:
- Close engagement between the SG, its agencies and industry continues and FiSAB’s 6th Annual Report 2010-2011 is due to be published in March 2011. In measuring progress, the Strategy set out a number of indicators, such as contribution to the economy (output and employment) as well as earnings and qualifications data, which continue to be monitored. More detailed industry specific measures were also identified and this data for Scotland is benchmarked against international comparators.
- All this information will be included in the forthcoming annual report, which will also outline progress in relation to the three leading reform options for further consultation in spring 2011, includes an assessment of the impact on Scotland's banking sector and wider economy. The Scottish Government now awaits the ICB’s options paper due in Spring 2011 and will provide a formal response to that paper.
<table>
<thead>
<tr>
<th>Through the success of the firms comprising the industry, to strengthen Scotland's position as a leading financial services centre and thereby maximise the industry's contribution to Scotland's economic success.</th>
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<td>To foster an economic and social environment which encourages the development of the industry and responds to its priorities, making it attractive for firms to choose and maintain Scotland as a key operating base.</td>
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<td>The culmination of the work of the FSSG was the Strategy for the Financial Services Industry in Scotland (the Strategy) which was published in 2005 and which aims to deliver the vision of:</td>
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<td>An innovative, competitive and thriving international financial services industry in Scotland, underpinned by world-class infrastructure and universally recognised as a leader on the global stage.</td>
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<td>In measuring progress, the Strategy set out a number of indicators, such as contribution to the economy (output and employment) as well as earnings and qualifications data, which should continue to be monitored. More detailed industry specific measures were also identified and this data for Scotland is benchmarked against international comparators.</td>
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<tr>
<td>Strategy pillars – people, profile and infrastructure – all of which are vital to the sustainability and growth of the sector.</td>
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The Strategy which includes details of the vision is published on the Scottish Government website. Each year an annual report is published which provides a summary of activity for the year, comparative data as outlined in the Strategy as well as an indication of plans for future years. The Strategy and annual reports for 2005-06 through to 2008-09 are available on the Scottish Government website at www.scotland.gov.uk/financialservices.

Work is underway to produce the Annual Report for the period 2009-10.

The Financial Services Advisory Board (FiSAB) is the custodian and advocate of the Strategy. Work is focused on three Strategy pillars:

- **People** - to strengthen our world-class workforce through labour market and skills development, raising the appeal of the industry as a career choice, and ensuring delivery of financial education in schools and beyond.
- **Profile** - to enhance Scotland’s image, identity and profile as a centre of financial services expertise and as a preferred location for financial services investment.
- **Infrastructure** - to ensure the business environment in Scotland is conducive to
achieving a successful financial services industry.

In 2007, the incoming Scottish Government considered the current Strategy and the FiSAB structure and decided that, although developed and established during the previous administration, it continued to meet the needs of this key industry for Scotland. We signalled our commitment to the Strategy and the work of FiSAB by ensuring full Ministerial support - FiSAB is chaired by the First Minister and both John Swinney, Cabinet Secretary for Finance and Sustainable Growth and Jim Mather, Minister for Enterprise, Energy and Tourism are Board members. Of course, all of this took place during a period of continued growth for the financial services industry in Scotland and elsewhere. In December 2008, in response to the global financial crisis and to ensure that the Strategy remains a relevant vehicle to support the industry, the Financial Services Implementation Group (FiSIG) (the working group which supports FiSAB) engaged in a scenario planning exercise. FiSIG worked with academics from the universities of St Andrews and Edinburgh to identify a range of possible future scenarios and actions which might mitigate risks and capitalise on opportunities created by these scenarios. These actions were, in turn, sense checked against plans and high level objectives. It was concluded that the Strategy and the
work of FiSAB continue to be relevant to the future success of the industry in Scotland. In February 2010 the Scottish Government published its Financial and Business Services Key Sector Paper as part of a series of reports that describe the composition and performance of each of the key sectors of the Scottish economy. The reports also summarise key policy interventions plus known challenges and opportunities facing the key sectors. It remains our view that the Strategy, with its vision and FiSAB as its custodian and advocate, continues to be the most effective vehicle to sustain and grow the financial services industry in Scotland.

| Recommendation 4 | This vision should include a blueprint for the type of banking sector that the Scottish Government would like to see in Scotland, with a strong emphasis on increased competition and diversity. It should also include the Scottish Government's view on the HBOS and RBS divestments and how they could best benefit competition in the financial sector in Scotland. We have given our view above on the vision and we encourage the Scottish Government to build on this and bring back a report to the Parliament and this Committee in the coming months for a full debate and endorsement. |
|------------------| As already stated, it is our view that the current Strategy for the Financial Services Industry in Scotland and the vision it defines remains fit for purpose as the relevant vehicle to support the industry and ensure its future growth. The Scottish Government has made clear that we would like to see a diverse and competitive banking sector in Scotland and the planned divestments provide both challenges and opportunities for Scotland. While the Scottish Government has some powers available to ensure that Scotland can attract the type of financial services organisations it wishes to see operate here, we are somewhat limited by the Devolution settlement in terms of some major issues of importance to such organisations, for example a competitive tax |
| FiSAB will continue to use all resources at its disposal including the expertise of Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), Scottish Development International (SDI), Skills Development Scotland (SDS) and the Scottish Funding Council (SFC) to take forward the activities identified in the previous response to ensure the sustainability and growth of the sector. |
structure, including corporation tax. Despite this, we will continue to use all resources at our disposal, including the expertise of Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), Scottish Development International (SDI) and Skills Development Scotland (SDS) to ensure that Scotland is the best place in Europe in which to do business. This also includes ensuring we continue to provide a wide pool of highly skilled and flexible talent, infrastructure which meets the industry's needs, and a commitment to continue our work to align the efforts of public sector delivery partners in engaging with private sector partners to help the industry to grow and succeed. Ministers and officials continue to engage closely with interested parties in our efforts to ensure that Scotland can attract the investors we require to ensure the type of banking sector necessary to meet the needs of both business and individual consumers. The Committee will understand that it would not be appropriate to make public the detail of any commercially sensitive discussions or contacts that may be ongoing. To ensure that Scotland can benefit from an increased number of providers and greater competition in the banking sector, we will therefore also continue in our efforts to engage with stakeholders and potential investors. We will also continue to work to ensure that businesses, particularly SME and start up firms, have access to the help and advice
and the range of finance products that they require to succeed and grow while ensuring that our citizens have access to the information and education they require to demand choice and transparency in financial products.

Recommendation 5 The Committee notes the Scottish Government's view that the Financial Services Advisory Board can act to provide a collective "Scottish Voice" on regulatory matters. However, in light of the potential conflicts of interest, the Committee is of the view that Scottish Financial Enterprise (SFE) is the industry body in Scotland and that it is consequently the role of SFE to lobby on behalf of its members.

In considering the impact of "regulatory matters" on Scotland's financial services industry, the Scottish Government consults appropriate stakeholders for their views, and FiSAB is one way of consulting with industry experts. Where an issue has the potential to impact negatively on Scotland's financial services industry, which contributes significantly to the life and economy of Scotland, we consider that the Scottish Government has a legitimate interest in those matters and will lobby the relevant UK, EU or other appropriate authorities to ensure Scotland's position is fully understood and taken account of. A good example of this has been work on the draft Alternative Investment Fund Managers (AIFM) Directive where the Scottish Government, at the request of the industry in Scotland through SFE, made our support for the industry view on this very clear. The Committee will no doubt remember the excellent members' debate (S3M-5419 David Whitton: Scotland's Investment Management Industry) in January and the all party support across the Chamber for the Scottish financial services industry's view. The Cabinet Secretary for Finance and

The European Commission's work on the Alternative Investment Fund Managers Directive provided Scottish-specific concerns on the possible impact of this new EU regulation on our Investment Trusts. The Scottish Government and SFE, working with Scottish MEP's and experts from the industry and colleagues from the UK Government, SG EU Office, UKRep in Brussels and Scotland Europa, harnessed a variety of skills and knowledge to ensure full understanding of the issues raised by this extremely complex legislation to ensure we could effectively persuade the legislators of the validity of our concerns. Work over a number of months included SFE correspondence with the EC to provide suggested redrafts to the Directive, and detailed work with MEP’s on the Economic and Monetary Affairs Committee, as well as letters and meetings between the Cabinet Secretary for Finance and Sustainable Growth and the European Commissioner for Internal Market. Members of the Scottish Parliament from all parties were engaged in this issue and this culminated in cross party support during last year's debate in the Scottish Parliament. This concerted effort,
Sustainable Growth communicated the content and result of that debate to the European Commission, the UK Government and all Scottish MEPs seeking their support for the proposed amendments to the draft AIFM Directive which we believe will help ensure that we secure regulation which is both effective and proportionate. In considering these matters, of course, the Scottish Government will take account of a wide range of views, including those of industry and other stakeholders, in defining our own position.

| Recommendation 6 | The Committee is concerned about whether FiSAB is properly constituted and reflects the interests of the real economy and banking consumers in Scotland. The Committee therefore calls for the composition of FiSAB to be reviewed with a view to establishing a body which represents not only the industry but a broader range of interests, particularly those of businesses and consumers. The Scottish Government should then draw on the views of this body to consider how it can champion a financial sector that supports the interests of the people and the economy as whole in Scotland. |
|------------------| As set out earlier in this response, FiSAB was established to be the custodian and guardian of the Strategy for the Financial Services Industry in Scotland. It is not intended to be a representative body for either consumers or businesses within the wider economy. The focus of FiSAB and the Strategy is to ensure the success and growth of the financial services industry which itself consists of a diverse range of sectors. In 2008 FiSAB undertook a review of its membership to ensure that it continues to meet the needs of the industry and following that review the membership was restructured to better reflect the subsectors which make up the industry in Scotland. This structure brings together experts from across all sub sectors of the financial services industry in Scotland who are able to discuss in full the issues that affect the  |
|                  | As indicated previously, the Scottish Government is committed to working in partnership across all sections of the community and business. We do not consider that the role, focus or structure of FiSAB needs to be changed and believe that there are sufficient opportunities in place to enable consumers and businesses to discuss issues of concern. The Board will, of course, continue to consider current issues of concern, and in doing so may invite others to present views and information to FiSAB. |
industry here, alongside colleagues who represent financial services employees and those in our wider public sector who are delivering economic development opportunities to the industry as well as policy makers who need to be aware of the industry's requirements. The Scottish Government considers that this continues to be the right focus and that any move to alter it to directly encompass other sectors or representative bodies will dilute the effectiveness of the collaborative partnership which FiSAB achieves. FiSAB has, and will continue to, consider high level strategic issues and the Scottish Government and its agencies will benefit from these discussions in formulating policies and plans for the future. We do, however, fully recognise the legitimate concerns of the wider economy and consumers. There are other vehicles through which the interests of the wider business community and consumer groups can engage. These include, in particular, the National Economic Forum which brings together senior figures in business, trade unions, government, the wider public sector, and the third sector, as an important aspect of the Government's strategy to achieve transformational change and higher sustainable economic growth throughout Scotland. The Forum provides a vehicle to generate support and momentum behind the Government Economic Strategy, helping to bring about an increased, shared
understanding of Scotland's economic challenges and solutions. The Forum also provides a further opportunity for new initiatives and partnerships to flourish as a new form of broadbased social and economic partnership for Scotland. In addition, Scottish Government Ministers and officials meet regularly with the main business organisations in Scotland as well as a variety of consumer and community groups to ensure we understand their needs and concerns and this has been of particular importance during the global financial crisis. The Minister for Enterprise, Energy and Tourism's Civic Scotland initiative is about mobilising as many people as possible to work towards the Scottish Government's goal of sustainable economic growth and making Scotland the best place in Europe to do business. The initiative engages Scots from a wide range of intellectual and civic traditions with over 6500 stakeholders having had the opportunity to engage directly with the Minister to date and to have their views heard. Increasing local ownership will lead to greater economic resilience as long term relationships and traditions of problem solving are established in local communities and sectors. And of course, the Scottish Parliament itself offers a vehicle in the form of the annual Business in Parliament Conferences, jointly organised with the Scottish Government and enjoying the strong support of our partners amongst the
The Conference provides another opportunity to discuss plans and priorities vital to achieving our shared goal of growing our economy.

The Scottish Government is committed to working in partnership across all sections of the community and business. We do not consider that the role, focus or structure of FiSAB needs to be changed and believe that there are sufficient opportunities in place to enable consumers and businesses to discuss issues of concern. The Board will, of course, continue to consider current issues of concern, and in doing so may invite others to present views and information to FiSAB.

Recommendation 7 The Committee welcomes the commitment of the Finance Sector Jobs Task Force to alleviating the impact of redundancies in the financial sector in Scotland. It also supports the Scottish Government's continuing assistance to the Task Force. The Committee considers that the lack of accurate statistics on the job losses that have resulted from financial crisis provide further evidence on the weakness of the statistics available for this sector. It therefore calls for better and more regularly updated baseline data on employment in the financial sector.

The work of the Finance Sector Jobs Taskforce has been undertaken in a period of significant uncertainty for the financial services industry and we believe that its alignment of the skills and expertise across the relevant public sector bodies has been of paramount importance in responding positively in the current climate. We also consider that its ability to respond has been enhanced by its position within the FiSAB structure, enabling it to exploit the knowledge and experience of the range of Board members. Employee jobs statistics for all sectors in the economy are obtained through the co-operation of industry partners who provide data returns to the Scottish Funding Council, SFE, Local Authorities and Trade Unions.

The Finance Sector Jobs Taskforce has continued to help companies and employees affected by the economic downturn. Through a programme of activities including: job matching; liaison with outplacement agencies; and direct support and advice provided to those facing redundancy, its activities have led to the retention of significant numbers of skilled workers who may otherwise have left the industry. It represents an excellent example of co-operation and integration of services with partners including, SE, SG, SDS,
Office of National Statistics (ONS). ONS employee survey results which are published on an annual and quarterly basis, however, do not allow for estimates of changes in sector level employment over the more immediate short term. The Annual Business Inquiry (ABI), an employer survey, is therefore used as the main source for employment data in the financial services sector and other industries across the economy. The main benefits of the ABI are that:

- it reports the overall level of employment in the sector and therefore captures the net effect of both job losses and job creation on an annual basis;
- it covers the whole economy and therefore allows direct comparisons with UK data and other industries;
- it allows analysis of the sub sectors in the industry; and
- data is collected through a statutory requirement ensuring a high response rate leading to more reliable estimates.

Improvements on the timeliness of publication of ABI data are planned and developments are underway at the ONS which mean that in future years the publication of employment data from the ABI, for financial services and other sectors across the economy, will be available three months earlier than is currently available.

Methodological changes to the employee surveys undertaken by the Office of National Statistics (ONS) have recently been implemented. Although the introduction of the Business Register and Employment Survey (BRES), which replaces the Annual Business Inquiry, results in a discontinuity in the available time series across all sectors there are a number of benefits from the changes being made. For example, the BRES collects information at individual branch/site level and so marks an improvement to the quality of employment estimates at the country/regional level. Furthermore, and as outlined in the original response, the timeliness of data will also be improved in 2011. The Scottish Government continues to engage with ONS in the process of developing employment estimates.

Following on from the response to the EET committee in May 2010, a new quarterly data return from banks and building societies in Scotland has also since commenced to help improve the quality of the measurement of output. The Scottish Government is working closely to improve the quality of data available through this new return with the continued assistance of the sector in Scotland.
Publication is anticipated to take place in the September following the reference year of the data from 2011 onwards. As part of a Scottish Government initiative to improve the quality of measurement of financial services output in Scotland, a new quarterly data return from all banks and building societies in Scotland is planned. In addition to informing estimates of changes in output in the sector, this return will also include data on employment. For the reasons outlined above, the ABI would remain the main source of employment information for the sector in Scotland; however the new quarterly returns are anticipated to provide a useful source of data to supplement analysis of the latest developments in the sector. We have been pleased to be able to discuss this initiative with FiSAB during its development and to have obtained the agreement of industry partners for the implementation of this new data return in Scotland. Work on this is being undertaken in partnership with the ONS and the Bank of England to ensure best use is made of data from a range of sources.

| Recommendation 8 | The Committee calls on the Scottish Government to initiate a step change in communication and contact at the highest levels with the Tripartite Authorities with a view to discussing issues of relevance to the financial sector in Scotland, as well as macro-prudential and broader economic issues. The Committee considers As set out in the response from the Cabinet Secretary for Finance and Sustainable Growth on 28 February to the Committee’s additional questions and points, Scottish Government officials have regular contact with counterparts in HM Treasury, Bank of England, the Financial Services Authority (FSA) and the OFT on a wide range of | Scottish Ministers are in contact with the coalition government on a number of issues. The SG will continue to undertake its survey of SMEs, to report on the issue of Access to Finance for SME’s in Scotland, engaging with the banking sector throughout the process, in order to develop our own policies and influence those of the UK |
that as the Scottish Government's overarching purpose is to promote sustainable economic growth in Scotland it is crucial that it better engages with all of the Tripartite Authorities on these issues, particular by the Scottish Ministers. The financial crisis has had such a profound effect on the Scottish economy that it is important that there is an exchange of information between these bodies going forward. This is exemplified by the situation faced by small and medium enterprises in Scotland in accessing finance over the last two years. Given the role of the Tripartite Authorities in ensuring flows of credit and that banks continue to lend, it is important that reports such as the Scottish Government's reports on SME Access to Finance are provided to the Tripartite Authorities.

| Scottish Ministers communicate with HM Treasury Ministers on a wide range of issues, both in writing and in person. In 2008, FiSAB considered the structure of its membership, and this included consideration of the arrangements for official observers at FiSAB. At its meeting on 2 September 2008 FiSAB agreed a new structure to better reflect the sub sectors which make up the industry in Scotland and also agreed to approach both the Bank of England and the FSA seeking their views on whether they would take up the same observer status at FiSAB which is enjoyed by HM Treasury. Both the Bank of England and the FSA responded that they would be happy to attend those FiSAB meetings at which they could be of assistance during the Board's discussions. Since then, the Bank of England's Agent for Scotland attended the FiSAB meeting on 1 June 2009. The FSA has not yet been invited to attend a specific meeting and HM Treasury continues to have observer status at all meetings. The regulation of financial services is a matter reserved to the UK Parliament and as HM Treasury, the Bank of England and the FSA all have responsibility for the whole of the United Kingdom on these matters, we expect all of these institutions to take full account of Scottish specific issues in their day to day operations. Throughout the current financial crisis and within correspondence on various issues, Scottish Government in this area.

| The Scottish Government will continue to work with the financial services industry, including the British Banking Association-led Business Finance Taskforce, ensuring that businesses in Scotland benefit fully from all policies and measures introduced to help improve banking services to SMEs.

| In addition, the Scottish Investment Bank (SIB) will continue to support the early stage risk capital market through the operation of equity investment products. The new Scottish Loan Fund will also support established growth and exporting companies. The SIB will continue to work closely with the private sector in responding to areas of market failure, where the banks are not meeting the needs of established SMEs and those with growth potential, by working at a Scottish, UK and European level to consider new interventions to address established failures and gaps. Any response to the market failure or gap may not necessarily be funded by the public sector but could include exploring innovative ways to bring more private sector capital to the Scottish SME funding market. |
Ministers have offered to work with the UK Government to ensure that issues with specific impact on Scotland, or information pertaining to Scotland’s economy and the workings of the banking market can be properly taken account of in formulating policies and response to the economic turmoil being experienced. We will continue to ensure that Scottish Government analysis and reports such as the SME Access to Finance Survey are shared with UK authorities.

**Recommendation 9** The Committee calls on the Scottish Government to engage with the UK authorities systematically at the early stages of the development of European Union legislation and emerging financial regulation, as well as on the transposition of European Union directives by the UK Parliament. We recommend that an assessment of the challenges and opportunities from future EU legislative proposals is made and shared with the Parliament.

While regulation of financial services as well as responsibility for negotiating with the EU on regulatory matters lies with the UK Government, the Scottish Government believes that EU decisions on financial services matters are of critical importance to the industry in Scotland and to our economy as a whole. Companies in Scotland are engaged by a variety of means, principally through sectoral industry bodies (e.g. the Association of British Insurers and the British Bankers Association) as well as through the industry-wide representative body in Scotland, Scottish Financial Enterprise (SFE). The Scottish Government, however, believes that it has a legitimate right to influence these matters at the heart of the EU decision making centre.

**SG EU office Brussels**
The Scottish Government's EU office is based in Brussels and supports the EU through the wide variety of mechanisms outlined in our previous response, the Scottish Government continues to work closely with the UK Government and the relevant industry bodies.
related work of the government. Officials provide operational support to the government by gathering information, developing regional and national links and attending and monitoring European Council working groups, sessions of the European Parliament and other events to ensure that decision makers in Scotland are kept fully informed of the latest developments in the EU. The office has built an effective network of contacts in the institutions through which officials explain and promote Scotland's particular interests and views on matters being discussed. It also strives to raise Scotland's profile and build its image and reputation amongst EU partners. The office also works closely with the United Kingdom's Permanent Representation to the EU (UKRep) which remains responsible for representing the views of the UK as a whole to the EU institutions. Working effectively with UKRep contributes to ensuring that the UK's negotiating position reflects that of Scotland and the other Devolved Administrations.

**Scotland Europa and Scotland House**
Part of our economic development agency, Scottish Enterprise, Scotland Europa provides intelligence, policy analysis and strategic funding advice about the EU and its relevance to Scottish organisations. It offers insight and expertise into EU public affairs, bringing careful analysis and fresh interpretation to European issues affecting
Scottish interests. It also works to raise Scotland's profile in the EU and to increase the level of expertise and knowledge of European issues within Scotland. Scotland Europa also provides these services to over 50 Scottish organisations from the public, private and academic sectors, the diversity of interest across its membership gives Scotland Europa an influential voice in European Affairs. Through Scotland Europa membership these Scottish-based organisations are able to share resources for EU engagement, rather than going it alone - giving a stronger, strategic positioning for Scotland in the EU. For example Scottish Financial Enterprise is a member of Scotland Europa. Scotland Europa has worked closely with SFE over the last year in particular to help them negotiate the proposed change in EU Financial Services legislation following the global economic crisis; to promote a greater understanding of the specificities of the Scottish Sector amongst EU politicians and decision makers. Scotland Europa also operates Scotland House, in Brussels, which is home to a number of key Scottish partner organisations including the Scottish Government's EU Office, Highlands and Islands European Partnership, the Scottish Parliament, as well as other European partners (from Eurodesk Brussels Link to the City of London EU Office, HP and SUN Microsystems EU public affairs teams, as well as colleagues from Ireland, Poland and
(Finland) with whom we work closely to monitor upcoming EU opportunities and develop projects and position Scotland as a key player in the EU.

**UK Relations**

In addition, Scottish Ministers maintain an active and constructive relationship with the UK Government on EU matters, sharing our ideas, resources and experience with Whitehall counterparts including active participation with UK Ministers and those from other Devolved Administrations in the Joint Ministerial Committee Europe (JMCE) chaired by the UK Foreign Secretary. The Scottish Government takes an active role in the transposition of European Union directives where they fall within devolved competence. Guidance on handling European obligations encourages policy leads to engage with their Whitehall counterparts to ensure timely and appropriate transposition. The Scottish Government is mindful of its responsibilities to ensure transposition deadlines are achieved and actively contributes to the positive UK response in terms of engaging with the UK Government on transposition of EU directives into UK legislation, in progressing UK legislation which extends to Scotland, Scottish and UK officials liaise appropriately throughout the process.

European Commission Work Plan (CWP)
The CWP was published on 31 March 2010.
It is the first such publication of the second Barroso Commission and as such it represents a departure from the work of previous years as it contains not only the list of proposals for the year ahead, but also includes a new indicative multi-annual list of proposals for the remainder of the mandate. Each successive CWP of the Barroso II Commission will flesh out proposals drawn from the multi-annual list for the year ahead. Scottish Government officials are currently analysing the CWP.

**Recommendation 10** The evidence heard by the Committee emphasised the importance of the headquartering of financial institutions in Scotland. This helps to promote high-end jobs within the institution concerned, as well as supporting other business services, particularly in the professions. The Committee calls on the Scottish Government to consider how it can support the retention of headquartering functions in Scotland and provide the detail of its plans in the report to Parliament that we have requested.

A successful Scottish economy is dependent on having significant headquarters and decision making functions. With these activities come higher value employment and also the increased likelihood that the local supply chain can benefit from the procurement of these major firms. This has also been an area of debate among policy makers in recent years. For example, the Council of Economic Advisers, in January 2009, expressed its concern that "over the last thirty years, the UK Government has generally been a passive actor...questions of industrial structure" and that this had led to a "denuding of Scotland of corporate headquarters". Despite the difficulties faced lately, Scotland still has significant headquarter functions in financial services, notably in Banking where RBS has given a commitment that Gogarburn will remain its headquarters but also in sub-sectors such as Asset Management.  

While the banking sector is experiencing a period of change. The Scottish Government remains totally committed to ensuring as many headquarters functions and jobs remain here in Scotland.

The Scottish Government will maintain its support for these efforts by ensuring Scotland continues to offer a flexible, open and transparent place to do business. It will also continue to work with the financial services industry to ensure full understanding of the needs of that industry, including of the banking sector, through FiSAB and the Financial Services Skills Gateway.
Management where companies such as Baillie Gifford and Martin Currie continue to trade successfully from a Scottish base. The private sector will typically locate in those areas which best meets its business needs and from where it is able to source the skilled labour, property and capital to operate and serve customers most effectively. For large companies, with a global customer base, this inevitably raises the possibility that such firms may choose to locate elsewhere from Scotland. To try to ensure that this does not happen, and indeed that we are able to attract further regional headquarters, the public and private sectors have to work in partnership to demonstrate the opportunities that are available to companies and also to help remove any barriers which prohibit the growth of these firms. Of particular note is the work that the Finance Sector Jobs Taskforce has been doing with RBS. Through close engagement with the company, the Taskforce has been able to create an effective partnership which has mitigated some of the job losses across the sector through signposting employees to other companies which are looking to expand. Scottish Development International has been successful in attracting headquarter functions from new entrants into the banking market, most notably Virgin Money and Tesco Bank, demonstrating that Scotland can compete against offerings from other regions within the UK and
globally. As the divestment of assets from RBS and Lloyds continues, the opportunities for new entrants locating their headquarter functions here will be actively explored. Furthermore, to help retain existing functions, Scottish Enterprise works in partnership with other parts of the public sector to help engage with large companies on areas of significant opportunity. By engaging proactively through the Scottish Enterprise account management support, the intention is to provide "early warning" of potential expansions, thus allowing a strong proposition to be made, but also to help understand the company's needs should it be considering relocation.

Recommendation 11 The Committee calls on the Scottish Government to consider how it can promote inward investment to support the critical mass in life, insurance, investment management and asset servicing that already exists in Scotland. The Scottish Government should continue to use all measures at its disposal including RSA grants to attract new financial sector businesses to Scotland and ensure that existing companies remain. It also calls on the Scottish Government to work with the relevant agencies to promote Scottish financial service companies abroad, particularly in the emerging markets. We will return to this area in our current inquiry on international trade and inward investment policies.

The Scottish Government will continue to promote both inward investment by and internationalisation of financial services companies through Scottish Development International (SDI).

To win investment Scotland needs to beat intense international competition and demonstrate it is the best location to invest in. SDI's core focus and competence is in the delivery of world class sales and marketing to both attract investment and talent to Scotland and to support Scottish businesses to internationalise through, in particular, enhancing business development activities. Critical to future success in attracting investment and increasing trade is effective partnership working both at a

The Scottish Government will continue to promote both inward investment by and internationalisation of financial services companies through Scottish Development International (SDI).

The SDI operating plan for the forthcoming year underpins "The Financial Services Strategy for Scotland" and will address the industry's strategic goal of Profile by the attraction/retention of inward investment; the internationalisation/ export promotion of the sector and will lead on the international marketing of the sector. As such SDI will be undertaking a range of events/conferences throughout key target geographies to ensure the Scottish proposition is widely known.
Scottish and UK level, including:

- alignment across the public and private sector to enhance the global competitiveness of the business environment in Scotland including: skills, research, transport, regulatory and fiscal environment.
- harnessing the full potential of international networks and influencers and working with partners to actively co-ordinate the wider promotion of Scotland globally.

Within this context the focus of SDI over the coming three years is to concentrate its resources on the generation of trade and investment opportunities for Scotland that help strengthen Scotland’s competitiveness within the global economy. SDI working closely with Scottish Government (SG), Scottish Enterprise (SE) and Highlands & Islands Enterprise (HIE) has just refreshed its Strategic Direction and Priorities for the next three years (2010-13).

SDI's objectives are to:

- attract investment and talent which builds on Scotland's globally competitive sectors (which include Financial Services)
- raise the aspirations and capabilities of more Scottish businesses to think,
compete and trade globally

- actively work with others to increase the global competitiveness of the business environment in Scotland and to align the wider promotion of Scotland internationally. SOI and its partners provide a number of international products and services to support Scottish businesses and potential investors to achieve their international aspirations. These include bespoke and industry wide training assistance, R&D support as well as more direct financial assistance through RSA and other grants. Support will most often be delivered through a package of interventions to assist companies with their growth plans over a period of time. In many cases businesses will need more than one type of assistance in order to pursue their international ambitions and aspirations. Specific work with the financial services industry in relation to internationalisation activities will focus on key sub-sectors, for example, helping Scotland asset managers to access markets where government support is important to make high level connections, for example China & Japan. SDI has already held a number of Fund Management events in China to highlight Scotland's overall Financial Services strengths, but importantly allow Scotland's Fund Managers to highlight
their own services and products to representatives of China's regulators and financial services companies. Further work in this regard is already planned during Shanghai Expo in September 2010. A key focus of SDI work within the financial services industry is the attraction of financial services companies to Scotland, but also in the retention and expansion of financial services companies already established in Scotland.

SDI is already a key partner within the Finance Sector Jobs Taskforce. In undertaking all of this SDI works with a range of partners including Scottish Financial Enterprise (SFE) where it has undertaken numerous joint promotional events both in Scotland and across the globe. SDI also works closely with UKTI to ensure Scotland's proposition is integral to the UK financial services proposition and is represented on UKTI Regional Forum. Mark Tennant, Chairman, SFE and FiSAB Industry Deputy Chair also represents Scotland on theCity UK overseas promotion committee again to ensure Scotland's overall message continues to be promoted. The Committee's current inquiry on international trade and investment policies is most welcome and will provide it the opportunity to examine these issues in more detail.
Recommendation 12 Many of the witnesses who gave evidence to the Committee emphasised the importance of education at all levels. They stressed the importance of good numeracy, literacy and functional skills in school leavers as well as high-quality university graduates. The Committee calls on the Scottish Government to promote these skills further and consider how it can deliver a skilled workforce at school leaver, further education and university level. The Committee stresses the importance of highly-skilled workers and the value of modern apprenticeships in this context. The industry should also be promoted as a potential area of employment to counteract any negative impact that the financial crisis may have had on interest in the sector. We expect this issue too to be covered in the report we have requested.

Schools
Curriculum for Excellence prepares young people for the challenges of life in the 21st century. It builds on the strengths of Scotland’s education system and will raise standards for every child. It enables every child to become a successful learner, confident individual, effective contributor and responsible citizen. In order to encourage the development of numeracy skills within Curriculum for Excellence, Learning and Teaching Scotland has established a National Numeracy Network. The Network will promote new ideas, disseminate information, discuss emerging good practice in local authorities and share learning between and across authorities. The Network supports a Financial Education Strategy Review Group that is looking at the range of teaching resources currently supporting financial education in schools and how these might be updated and improved. The Review Group is also developing a Financial Education Delivery Plan that will illustrate how financial capability can be embedded in the curriculum through a continuous focus on numeracy skills.

Further and Higher Education Institutions
In terms of further and higher education, the Scottish Further and Higher Education Funding Council (SFC) is the national, strategic body that is responsible for funding financial education, delivered within the context of Curriculum for Excellence “experiences and outcomes” and in line with numeracy across learning, aims to ensure that all young people develop key financial skills to be successful both now and in the future. Financial Education also provides a relevant context for the development of skills for learning, life and work.

Learning and Teaching Scotland (LTS) has recently published guidance for schools about creative ways by which teachers can offer young people a good quality financial education experience. LTS has also published some useful advice about how the status and profile of financial education can be enhanced through engagement with stakeholders. In particular, emphasis has been placed on the need to encourage partnerships between schools and the wide range of financial institutions operating in Scotland, credit unions and the new Consumer Financial Education Body.

Further and Higher Education
The Scottish Government launched its all-age Literacy Action Plan on 27 October 2010. The Action Plan provides a strategic commitment to improving standards of literacy across the continuum of learning. In addition, Adult Literacies 2020: strategic guidance was published on 21 December 2010 providing aims and outcomes for adult
teaching and learning provision, research and other activities in Scotland’s 43 colleges and 20 universities and higher education institutions. A key priority for the SFC, in line with Scottish Government policy, is to improve the employability of learners and their skills development. This is an important area of public policy because of the impact that skills and employability have on individual life chances, the performance of our economy and our public services.

Working with Scotland’s colleges, universities and other partners, SFC seeks a system of further and higher education in which through the provision of high quality education and learning, students have enhanced their general and specific skills, their confidence, self reliance, motivation, knowledge and capacities in ways that:

- meet the needs and expectations of employers;
- lead to improved utilisation of skills in the workplace; and
- contribute to improved personal, social, civic and cultural outcomes for the people, of Scotland. 

"Learning to Work" is the SFC’s employability strategy for supporting college and university work to build capacity and good practice with a view to enhancing student employability. It defines employability as a combination of knowledge, skills and attributes (attitudes and values) which

literacies development over the next 10 years. This new strategic guidance was informed by a Strategic Advisory Group made up of key stakeholders as well as external consultation. Also, under Learning to Work, the SFC is providing £4.7 million to help both students and employers benefit from 2,550 new work place opportunities (over the next four years). This will give students the opportunity to gain work experience during their studies.

Financial Services Skills Gateway
SG officials within Skills Division hold frequent meeting with the Financial Services Skills Council (FSSC) on matters pertaining to work based on learning and qualifications in the financial sector. We value the collaborative work they are delivering through the Financial Services Skills Gateway (Gateway) and place great emphasis upon their co-ordination role within the Gateway, which enables the FSSC to articulate to us the skills needs of employers.

Much of what the FFSC aims to deliver to employers in Scotland is now channelled through the Gateway. This helps place the FSSC in a unique position to inform Government and other public sector skills bodies, such as SDS,
result in capable people who will be effective in their chosen occupation – as employees, employers and entrepreneurs”. The Horizon Fund allows the SFC to work closely with universities and other partners in ways that are potentially groundbreaking, nationally and internationally, by developing and investing in projects that are intended to bring economic, social and other benefits to Scotland.

Financial Services Skills Gateway
We recognise the importance of a skilled workforce within the financial services industry and the need to support activity to promote it as an attractive career option and address negative perceptions that may have developed. SOS has worked with the industry to create the Financial Services Skills Gateway, bringing the work of the Financial Services Sector Skills Council and key Scottish employers together into one focused vehicle to drive and shape the skills agenda as the industry adjusts to the new market conditions. SQS, working in conjunction with the Financial Services Sector Skills Council and the Financial Services Skills Gateway will develop a comprehensive programme of action to be delivered in partnership with industry to address future skill requirements across the sector. More specifically the Gateway will aim to:

as to the needs of this sector, the recent Skills Demand Statement being a good example of this work. Additional work has also been carried out in the development of Level 2, 3 and 4 accounting apprenticeships for the sector and the FSSC has played a key role in helping deliver this.

David Thornburn, UK Executive Director of Clydesdale and Yorkshire Bank Chair of the Employers Council reports the Gateway’s progress through FiSAB.

Modern Apprenticeships
Scottish Government recognises the importance of Modern Apprenticeships. In the first two quarters of 2010/11 (i.e. to end Sept 2010) 125 individuals started a new apprenticeship in Providing Financial Services.
<table>
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<th>Recommendation 13 Infrastructure in Scotland, as well as the transport links between Scotland and other countries, was identified as being important, particularly in the context of Scotland's geographic position. In this context, the Scottish Government should continue to develop Scotland's transport infrastructure and connections with other countries, particularly to articulate clearly the industry's skills requirements; improve the understanding of the career pathways available in financial services; increase the flow of school leavers, graduates and adult returners into the industry by creating a talent &quot;pipeline&quot; that is predictable and manageable; develop workforce capability at all levels; and facilitate collaboration between all stakeholders involved in education, training and skills development for the Scottish financial services industry.</th>
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| Modern Apprenticeships  
We also recognise the importance of Modern Apprenticeships for the sector and during 2009/10 over 600 financial services apprenticeships were supported by SOS - a significant increase on previous years and which reflects a positive SOS response to increased industry demand during the economic downturn. |
| The Scottish Government recognises the importance of international connections for business to attract inward investment and to make access to Scotland easier for inbound tourists. We continue to work with airlines to persuade them that Scotland is a market which can sustain more direct international connections. We want to ensure Scotland is at the forefront when airlines take route Air Link  
The Scottish Government continues to sell Scotland to airlines by providing market data and intelligence to help inform airline decision-making choices. Scotland needs to compete globally for new routes and to maintain its profile within the aviation sector. In September the SG met Middle Eastern, Far Eastern and North American carriers to |
by means of direct flights to and from Scottish airports. In particular, travel to London - as one of the two main global financial centres - should be facilitated by a high-speed rail link.

development decisions. Through continued engagement, we have built up excellent relationships with a range of airlines which offer potential for the development of further air links with Scotland. The Route Development Fund contributed to a dramatic improvement in Scotland's direct international air network by concentrating on those routes that helped business and inbound tourism. Routes continue to operate as a result of investment from the Fund which ended to new air routes in May 2007. EC guidelines on start-up aid constrained us from developing a replacement to the Fund. However, the Commission is now reviewing these guidelines and the Scottish Government plans to respond to its forthcoming consultation.

Scotland is central to the business case for high speed rail in Britain. It is the clear view of Scottish Ministers that Scotland must be part of the UK Government's plan for a high speed rail network from the outset. Successive reports show that the economic case for high speed rail is significantly stronger when it includes an extension to Scotland. With the potential to offer a journey time between Scotland and London of three hours, a high speed rail link is expected to enjoy a 67% share of the travel market, offering a real alternative to domestic aviation, contributing to our long term carbon reduction targets. When we discuss air routes. This meeting was commercially sensitive therefore no information can be shared with the committee.

Rail Link
Scotland is central to the business case for high speed rail in Britain. It is the clear view of Scottish Ministers that Scotland must be part of the UK Government's plan for a high speed rail network from the outset. We continue to work closely with DfT and were disappointed that DfT’s current plans do not include Scotland.
discuss investment in high speed rail, we must view it as a long term infrastructure investment rather than an individual rail project; the benefits go far beyond the rail industry. The costs associated with a project of this scale are substantial. We will work with the UK Government to clearly and realistically define the scope of the project north of the border to develop our understanding of the costs involved.

Recommendation 14
This report has noted the consolidation that took place in the banking sector over the last century. The Committee calls on the Scottish Government to explore how mutuals, cooperatives and credit unions can be further supported and local initiatives developed. In particular, the Scottish Government should seek to engage on development of regulation that would support this diversification.

Legislation on and regulation of industrial and provident societies and credit unions is reserved. We are fully engaged with HM Treasury and the FSA. The UK Government launched Review of the GB cooperative and credit union legislation: a consultation in June 2007. This distinguished between mutuals (broadly speaking, societies registered under the Building Societies, Friendly Societies and Industrial & Provident Societies Acts. The latter includes credit unions), cooperative and credit unions. This consultation focused on the legislation relating to cooperatives and credit unions and did not include building or friendly societies, where the legislative framework was considered to be reasonably up-to-date. It noted: There is at present no national law on cooperatives in GB, the closes being that relating to Industrial and Provident Societies (IPSs). The cooperative form is an important legal structure for businesses and an alternative to companies. It would therefore be useful

The UK Government’s consultation document ‘A new approach to financial regulation: judgement, focus and stability’ was published on 26 July 2010. The paper outlined and consulted on proposals to overhaul the UK financial regulatory system by disbanding the FSA and establishing a new system of more specialised and focused regulators. We will engage with the new regulator when it is established.

In the Coalition Agreement, the UK Government stated its desire to foster diversity in financial services, promote mutuals and create a more competitive banking industry. HM Treasury is developing policy and delivering legislative changes to help meet this aim.

Legislation governing mutuals dates back several decades and reform has been piecemeal since then. In 2007, the Treasury consulted on changes to mutuals legislation, to update and improve the
for steps to be taken to ensure as far as possible that the legislative framework for IPSs is updated where appropriate so that it is no less convenient or efficient than company law. To this end the review will seek to identify the implications of any recent changes in the legislative landscape such as the Enterprise Act 2000 and the Companies Act 2006 to consider whether there are any areas where there is disparate treatment between companies and cooperative societies. This will help create a level playing field between companies and cooperative societies and ensure that potential new registrants are not discouraged from using the mutual form. It is also worth considering whether GB cooperatives should be brought into line with their EU counterparts, for example in expanding the services they can offer to members to include banking and the ability to attract investment from a wider range of sources. There are currently legal barriers to the provision of certain financial services under IPS legislation in Great Britain. For example a GB IPS with withdrawable share capital is not allowed to carry on banking business because one of the effects is that withdrawable share capital would make it difficult to ensure capital adequacy requirements are always met.

It has been suggested that this review should consider if the GB IPS sector should be allowed to engage in such services. One governance of these societies and create a more level-playing field for co-operatives and credit unions to compete with other forms of corporate.

This resulted in the ‘Co-operative and Community Benefit Societies and Credit Unions Act 2010’ and a ‘Legislative Reform Order for Industrial & Provident Societies and Credit Unions’.

The Legislative Reform Order is currently going through the Parliamentary process. It is expected to come into force in spring 2011.

There is as yet no commencement date for the Co-operative Act.

In addition, in December 2010, the UK Government launched a consultation proposing to amend legislation to facilitate the use of electronic communications (such as email and internet) by the mutual sector.

Since such legislation and regulation are reserved, Scottish Government support for credit unions has been to provide funding to help them develop their businesses, most recently through the various funding streams for social enterprises, and the specific £250,000 Credit Union Fund.
of the main risks of IPSs in GB engaging in certain financial services is that it could result in increased regulation both from GB regulators and the EU, especially for those societies that wanted to engage in deposit taking. Question 1 of the consultation sought views on this issue. Questions 17-30 sought views on a range of changes for credit unions, including membership and the provision of auxiliary services to their members, including for example complementary financial services, hire purchase and holding of land. The summary of consultation responses published in December 2007 indicated that a majority of respondents agreed that the cooperative sector should have the option to engage in financial services, however respondents pointed out that there did not appear to be an urgent need for change, despite the fact that the cooperative model is widely used to deliver financial services throughout the EU. The UK Government response was that it considered that there did not appear to be any evidence to support a wider role for cooperatives in the provision of financial services and therefore it did not intend to take any action. There was considerable support for a number of proposed changes to the membership criteria for credit unions and the UK Government indicated that it would accept and take these forward. Response to the question as to whether credit unions should be able to provide complementary financial services was
muted. The UK Government accepted that the objects and powers of credit unions required clarification, and that credit unions should be given some flexibility, but did not indicate that it would pursue making changes quickly. In July 2008 the UK Government launched a further consultation Proposals for a Legislative Reform Order for Credit Unions and Industrial & Provident Societies in Great Britain. The Legislative Reform Order (LRO) LRO was laid before Parliament in December 2009 and comes into force on 1 July 2010. The Scottish Government did not respond formally to either of these consultations, and was broadly content with the UK Government's plans for legislative changes. We consider that these will provide a modern framework to allow the development of credit unions in particular. However, we will make representations to the UK Government if we consider that further changes to legislation are needed. Similarly, we will make representations to the FSA if we feel that is appropriate. Because legislation and regulation are reserved, Scottish Government support for credit unions has been to provide funding to help them develop their businesses, most recently through the various funding streams for social enterprises, and the specific £250,000 Credit Union Fund.
17th February 2011

Dear Iain,

Re. Energy inquiry update

I am writing to update you on progress made by the Scottish Government against the recommendations made by the Enterprise, Energy and Tourism Committee following its energy inquiry. Detailed responses to each of the recommendations are included in the annex to this letter.

I hope this update is helpful and, as always, please let me know if I can help further.

Yours sincerely,

Jim Mather

JIM MATHER
EET Committee Energy Inquiry – update to committee Spring 2011

<table>
<thead>
<tr>
<th>Committee recommendation</th>
<th>SG initial response at time of report</th>
<th>Updated SG response February 2011</th>
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<td>108. The Committee calls on the Scottish Government in the forthcoming budget round to consider substantially increasing resources for an area-based, targeted energy efficiency/conservation programme designed to tackle fuel poverty and reduce energy demand. Such a programme should have an emphasis on technologies suitable for the Scottish building stock, for concentrations of fuel-poor households in urban areas and for our off gas-grid and rural areas. It should also involve a programme of home visits to provide advice rather than rely on help lines. The size of the investment could be in the order of £100-170 million per year over the next decade to come, with spending targeted on the basis of a geographical mapping of fuel poverty needs.</td>
<td>As reaffirmed by the Cabinet Secretary for Health and Wellbeing in a statement to the Scottish Parliament on 22 November 2008 the Scottish Government remains committed to the target to eliminate fuel poverty so far as is reasonably practicable by 2016. Record levels of resources have been allocated in 2009/10 and the case for continued funds to tackle fuel poverty will be made in the next Spending Review. Scottish Ministers will continue to press the Westminster Government to ensure Scotland gets an equitable share of resources from reserved fuel poverty and energy efficiency programmes such as CERT. Following publication of a comprehensive review of fuel poverty policy in Scotland, and further to the recommendations of the reconvened Fuel Poverty Forum, the Scottish Government introduced the Energy Assistance Package (EAP) in April 2009. EAP is a holistic package offering a range of services designed to tackle the causes of fuel poverty: low incomes, energy efficiency and household spend on fuel. EAP is supported by a £60m budget in 2009/10 with resources targeted at those most likely to be fuel poor, due either to the characteristics of the dwelling occupied or of the household itself. EAP replaces the previous Central Heating and Warm Deal Programmes and for the first time makes available a menu of physical measures for eligible households</td>
<td>The Scottish Government is committed to the target of eliminating fuel poverty so far as reasonably practicable by 2016. The overall capital budget for Scottish Government was reduced by 24% in 2011/12 compared to 2010/11. In these circumstances, budgets have been maintained at the maximum level possible. We continue to work with Westminster Government to ensure Scotland gets an equitable share of UK resources. The Home Insulation Scheme and the Energy Assistance Package will be supported by a budget of £48m in 2011-12. Since its introduction in April 2009 to 31 December 2010, EAP has delivered heating system measures, including new heating systems or boiler replacements, to 17,176 households. The Scottish Government’s area-based Home Insulation Scheme (HIS) has been supported by £15m in 2009-10 and £15m in 2010-11. This is delivered through the Energy Saving Trust and has enabled the provision of energy efficiency advice and the offer of free or discounted insulation measures to around 200,000 households each year. Interest free loans are also available for more expensive energy efficiency measures in these areas. Up to 2 January, there had been 15,290 installations of HIS insulation measures, 29,690 referrals to the Scottish Government’s principal fuel poverty programme, the Energy Assistance Package, and 102,376 Home Energy Checks since installations started in November 2009.</td>
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including newer technologies such as air source heat pumps which can be effective for hard to treat homes including those in rural areas. Scottish Ministers have asked the Fuel Poverty Forum to monitor the EAP and the Forum plan to report back in May 2010 after a full year of operation. The Forum’s report will inform any future changes to the EAP.

Additionally, the Scottish Government announced in the recent budget a new area-based Home Insulation Scheme (HIS) supported by £15m of Government funding, with complementary matched funding being sought from other sources. HIS is complementary to the EAP and is an intensive area-based approach which will operate in areas within 10 local authority districts in 2009/10. Local councils have been asked to put forward proposals for further areas to be covered in 2010-11. Areas were selected on the basis of assessment criteria agreed with COSLA, which included fuel poverty levels, emissions, and the potential number of dwellings suitable for treatment. Every household in the area will be visited and offered an energy assessment and benefit/tariff check along with free or discounted insulation measures, where appropriate.

This will save 170,000 tonnes of CO₂ and £32m off household fuel bills over the life of the measures.

A separate Universal Home Insulation Scheme was supported in 2010-11 with an additional £10m. This is similar to the HIS programme, but offers all measures completely free and is delivered by local authorities rather than the Energy Saving Trust.

The 2011-12 allocation will allow HIS to be extended to a further 200,000 houses next year, saving 200,000 tonnes of CO₂ and £37m off household fuel bills over the life of the measures.

Our area-based home insulation schemes already offer energy efficiency advice and free or discounted energy efficiency measures to around 500,000 households across Scotland in both urban, rural and island areas. Taken together with additional HIS areas in 2011-12, these schemes will have offered support to 30% of Scotland’s houses.

Given pressure on budgets across Government, the budgets for HIS and EAP have been maintained at the maximum levels that could be secured. In England, the Warm Front budget (equivalent to EAP) has been cut by 69% and reduces to zero in 2013-14. There is no nationally funded equivalent of HIS in England.
109. The Committee welcomes the recent announcements by the UK Government in its April 2009 budget and calls for a rapid acceleration of the proposed roll out of smart meters, with significant financial investment in an educative element to ensure people and businesses adopt and best use these technologies. We note, however, that further consultation is being planned and we believe that this must be completed as soon as possible to provide clear guidance on how smart meters will be delivered.

The Scottish Government agrees that smart meters have the potential to help consumers and businesses more effectively target energy efficiency measures. We have responded to the UK Department of Energy and Climate Change’s recent consultation on smart metering encouraging the roll out of this technology along with an educative programme. We agree with the general approach which DECC is proposing for the roll out of smart metering. The proposed functionality for both electricity and gas meters is sensible, as is the requirement that non-domestic meters have similar minimum functionality as that of domestic meters.

We suggested to DECC that we believe that coordination of the roll out at a local level could be beneficial, particularly in the more remote Scottish communities. There could be a role for Energy Saving Scotland advice centres to play. Consideration must also be given to fuel poverty, which has far higher levels in Scotland than elsewhere in the rest of Great Britain. We would Alexandra Stein encourage local coordination and behavioural change advice to ensure that smart meters do not lead to those in fuel poverty choosing not to heat their home when they see the accurate energy readings from their meter. We asked that DECC take particular note of Energy Action Scotland’s more detailed comments in their response to the consultation.

We continue to engage with DECC on this issue and have encouraged them to set out a clear timetable for the roll out of smart meters. DECC have asked officials in Scotland to consider a pilot for regional roll out of smart meters as precursor to Green Deal. This is currently being explored.

110. The Committee considers that fuel poverty is a blight on our society, is inconsistent with our goal for a socially just energy system and calls on Ofgem as the energy regulator to take all steps to ensure the Scottish Government supports this view and Ministers continue to make representations to the UK Government on these matters. We welcome the work DECC now has in hand to ensure the UK energy

The Scottish Government continues to press the UK Government and Energy companies to address the issues raised by the Committee.
transparency of social tariffs and require energy utilities to deliver on these and address problems with pre-payment meters. The Committee calls on Ofgem to take strong financial sanctions where abuses are found. regulatory framework more effectively tackles anti-competitive practices in electricity generation and better protect the interests of consumers right across the UK. The Scottish Government is committed to supporting that work and to playing a full role as it goes forward.

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<tr>
<th>111. The Committee considers that the Scottish Government must also take substantive steps, with immediate effect, to achieve the sea change required to meet its statutory target of eliminating fuel poverty by 2016. Many of the recommendations we make in this action plan are designed to address this goal.</th>
<th>The implementation of the Energy Assistance Package and the Home Insulation Scheme is a sea-change in our approach to tackling fuel poverty in Scotland. See update position for action 108. The Scottish Government are committed to tackling fuel poverty and are maximising the investment made.</th>
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<td>112. The Scottish Government must seek to work as a matter of urgency with the UK Government to tackle the shortcomings of the CERT scheme in Scotland which, as designed, does not best meet the challenges of Scottish building stock and the particular needs of off-grid and remote households. This might include a separate Scottish co-ordinating or delivery unit, with (executively) devolved responsibilities.</td>
<td>We have argued in Securing Our Share: A CERT Strategy for Scotland, for Scotland to have its own coordinating body(a) post 2012 (for CERT types schemes) and future CERT programmes to be ring fenced at a pro-rata level for Scotland so that the Scottish Government can use the mechanisms that it has put in place (Energy Saving Scotland advice network) to deliver the EAP and Home Insulation Scheme to be utilised to co-ordinate future scheme activity. Scottish Government officials are continuing to work with UK Government officials to highlight the Scottish issues relating to CERT, the proposals for CERT extension and the successor scheme. Ministers are also engaging on this issue. We are keen to engage and influence the development of the UK Energy Bill, particularly in relation to Supplier Obligation Schemes and making the links to ensure this can be facilitated. We have a member of the Scottish Government working in DECC to ensure that the new Energy Company Obligation is designed in a manner that recognises Scottish circumstances. We have worked closely with DECC on the UK Energy Bill to ensure Scotland’s issues are recognised.</td>
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<td>113. The Committee reaffirms its call on the Scottish Government for a rapid publication of its detailed energy efficiency action plan. Delay beyond 2009 is not acceptable.</td>
<td>We will issue a draft Energy Efficiency Action Plan for consultation in the early autumn [2009]. This will cover all sectors and reflect the current policy landscape. The consultation will recognise where gaps exist and invite stakeholders to feed into the development of future energy efficiency policy. The Energy Efficiency Action Plan was published on 8 October 2010.</td>
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114. The Committee believes that there is a need to take a more holistic approach to industrial and commercial energy usage and provide greater support and incentives to this sector to improve its energy efficiency. Indeed, the Committee is of the view that the efficient use of energy in this sector will be vital to minimise the effect of any future increases in energy costs on production and services in the Scottish economy. The Committee therefore calls on the Scottish Government to consider, in the next budget round, how measures such as Loan Action Scotland and the Renewables Obligation Certificates can better support the industrial and commercial sector to improve its energy efficiency.

The SG Energy Saving Scotland - small business loans scheme provides loans from £1,000 to £100,000 at 0% fixed interest to help businesses install measures that reduce energy consumption or to install renewable energy technologies. The scheme is aimed at Scottish businesses that fall within the EC definition of Small and Medium sized Enterprise (SME), private sector landlords, not-for-profit organisations and charities. A range of measures that reduce energy consumption and/or renewable energy technology installations would be considered eligible.

The Scottish Government funds the Carbon Trust to provide energy efficiency advice to the business sector. The Carbon Trust works with larger businesses in the industrial and commercial sector and public authorities across Scotland.

The Scottish Government closely monitors the schemes both (run by the Energy Saving Trust and Carbon Trust) and is always interested to hear how the scheme can be improved. We note that the Scottish Government's forthcoming consultation on its Energy Efficiency Action Plan will provide a mechanism to further examine how our loans schemes can be improved upon.

115. The Committee is concerned that the results of Audit Scotland’s recent work has uncovered a lack of a public sector lead in championing energy efficiency, a paucity of quality consumption data and too few energy managers/champions in senior, decision-making positions. This is a matter that requires immediate action from the Permanent

The Scottish Government recognises that the public sector must lead by example through its own energy performance and this will be addressed through the Energy Efficiency Action Plan. We are already engaging with key stakeholders such as CoSLA and Carbon Trust to ensure that energy efficiency invest-to-save principles

We agree that early action is essential to make non-domestic buildings more energy efficient.

Our Energy Efficiency Action Plan outlines how we intend to join up our approach to business across the public sector, how we intend to improve the effectiveness of information and advice to businesses, and how we will improve the efficiency of both building fabric and building use through minimum building standards and regulation.
Secretary in the Scottish Government and the chief executives of non-departmental public bodies, agencies and local government etc. The Committee requests a report from the Permanent Secretary within 2009 on what steps will be taken.

Recognising the lack of consistent, quality energy consumption data in the sector, the Permanent Secretary’s Leading by Example group has agreed that a pilot roll out should be carried out of eMART, a monitoring and reporting tool successfully used by the NHS in Scotland over a number of years.

The forthcoming consultation on the draft Energy Efficiency Action Plan seeks further input from stakeholders on what SG can do to improve the energy efficiency of the public sector.

116. The Committee welcomes the progress that has been made in tackling the poor energy efficiency standards in buildings and notes the provisions in the Climate Change (Scotland) Bill, many of which have been improved through amendments made by this Committee and others. However, the Committee believes that tougher mandatory standards for building energy use are required and that these should be revisited regularly and progressively increased. It is also critical that adherence to these standards is monitored and enforced. The Committee considers that a greater use of energy service companies (ESCOs) should be explored as a means of promoting energy efficiency in both public and private buildings. The Committee believes that the Scottish Government should complete a study on this matter before the summer of 2010.

The contribution that is being made and progressed through building standards are outlined in the Energy Efficiency Action Plan published on 8 October 2010.

An update on progress on the ‘Sullivan Report’ was published on the Scottish Government website at the beginning of February 2011.

Improved energy standards for new buildings through building regulations have been in force for 4 months, requiring a 30% reduction in CO2 emissions when compared to the 2007 building regulations. Research has been commissioned to support the review of energy standards for 2013 and a working group will be formed in the summer to assist with development of the standards. The appointment process for verifiers for May 2011 has been used as an opportunity to build on measures to support compliance. Random sample airtightness testing will be introduced for new buildings from May 2011.

Over 40 copies of the ‘Heat Supply Options Assessment Model’ CD-roms have been requested and distributed.
business model. The issue of what role ESCOs will play in the market going forward will be canvassed and developed through the forthcoming Energy Efficiency Action Plan.

In 2010 the Scottish Government Building Standards Division established a working group to explore the options for the existing non-domestic building stock in order to develop regulations for Section 63 of the Climate Change (Scotland) Act. The working group met three times in 2010. Scottish Ministers will publish a report setting out their approach to the use of powers under s. 63 and 64 of the Climate Change (Scotland) Act relating to the energy efficiency of both existing non-domestic buildings and dwellings by the end of March 2011.

117. The Committee believes that a more streamlined approach to promoting energy efficiency would benefit individuals and businesses. It calls for the Scottish Government to examine the roles of all of the bodies active in the field with a view to determining whether they could either be merged or, in the shorter-term, encouraged to work more closely together.

We are committed to tackling energy efficiency and we will publish more detailed plans in the forthcoming Energy Efficiency Action Plan. The Scottish Government already encourages the Carbon Trust and the Energy Saving Trust to work closely together where appropriate. Areas of overlap are, however, quite limited with the Carbon Trust servicing large and energy-intensive businesses and the public sector, while the Energy Saving Trust focus their work on the domestic sector and SMEs.

The SG is represented on the boards of both the Carbon Trust and Energy Saving Trust and is seeking to ensure that they both understand and respond to SG policy. Ultimately we would like to work towards a single Scottish model for delivering energy efficiency programmes in Scotland.

We fund two main organisations to deliver energy efficiency information and advice. The Energy Saving Trust engages with householders and smaller businesses, including through its Energy Saving Scotland advice centres (ESSacs). The Carbon Trust provides technical energy efficiency advice to larger SMEs and energy intensive businesses, primarily through direct on-site consultancy advice. We have discussed the issue of any overlap (where businesses have an energy spend of £30k-£50), and the two organisations have agreed to work closely in this area. We also are working towards joining up our approach to the provision of energy and resource efficiency advice via those organisations that may provide energy efficiency advice to business within their wider business advice service, as outlined in both our Energy Efficiency Action Plan and the Low Carbon Economic Strategy, to establish a single energy and resource efficiency information advice and support service for Scottish businesses. This work is proceeding with the relevant partners (CT, EST, Zero Waste Scotland, Scottish Enterprise, Highlands and Islands Enterprise, SEPA and Business Gateway), with a view to having an agreed proposal in April 2010.

118. The Committee believes that it is critical that the Scottish Government accelerates the process to provide consent for strategic infrastructure developments in Scotland’s

The Scottish Government notes the Committees call on the Beauty-Denny line and associated infrastructure. The final decision on the proposal will be made

The Scottish Government is liaising on the delivery of national developments and other key elements of the National Planning Framework (NPF) strategy with the lead partners identified in the NPF2 Action
electricity system. Central to this is a positive decision to provide a go-ahead for the Beauly-Denny line within the next few months and other associated schemes such as Beauly-Dounreay etc. Such a decision must not be associated with unrealistic planning conditions that would have the effect of causing unnecessary delays or placing this critical component of Scotland’s network in jeopardy. The Committee believes that the prize of unlocking the renewable energy resources in the north of Scotland is one that must be realised. The Committee welcomes the more strategic approach to developing grid infrastructure that was evident in National Planning Framework 2, but calls on the Scottish Government to further develop this and produce an associated delivery plan in the year ahead.

| expeditiously by Scottish Ministers. Scottish Ministers will only make a decision on the application once they have considered thoroughly, and carefully, all material considerations including the Public Local Inquiry report. In view of the Scottish Ministers role in determining the application, it would be inappropriate for Ministers, or officials, to comment specifically on the proposal, or the report while it is currently under consideration. The Scottish Government also notes the Committee’s call for the Scottish Government to further develop a delivery plan for grid. The Scottish Government is already working on a number of fronts to deliver grid development and reinforcement that is fit for purpose and will connect, transmit and export Scotland’s energy potential. This includes working closely with DECC, Ofgem and the main Scottish generators in the UK Electricity Networks Strategy Group (ENSG), to design the future grid reinforcement required to meet the 2020 target on renewables. The ENSG report, published in March this year, focused on options for reinforcing onshore Grid across the UK. It identified a range of grid reinforcement and upgrades across the UK to transport and export different scenarios of potential renewable energy transmission from Scotland (to transmit either 6.6 GW, 8GW or 11.4GW), including significant onshore reinforcement across Scotland and developing sub sea cable links between the Scottish mainland and the Islands and links to the UK. Programme. In addition to electricity grid reinforcements, actions relate to a sub-sea transmission supergrid, capacity constraints in Argyll and decentralised energy and heat networks. The Action Programme is published online at http://www.scotland.gov.uk/Topics/Built-Environment/planning/National-Planning-Policy/npf/action-plan. The Scottish Government has also started work on the monitoring report for NPF2, which will reflect progress made in relation to electricity grid reinforcements, consents granted and more generally consider key drivers of change and emerging issues.

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We welcome this work and have played a key role. Consequently, the work of the ENSG is wholly consistent with our plans for grid development set out in NPF2, in that it identifies a number of strategic grid reinforcements essential to providing the transmission capacity to allow Scotland to realise its renewable energy potential, maintain our long term security of energy supply and support sustainable economic growth.

We are already engaging with Ofgem, National Grid and UK Government delivering the Vision 2020 plan for Scotland and the Industry as they prioritise and cost the ENSG reinforcement projects.

119. In our view, the existing grid infrastructure within Scotland and from Scotland to England is the first priority. We are supportive of strategic developments that can allow Scotland to export energy in directions other than just south of the border. The Committee is cognisant of the various proposals being considered for developing offshore grids, notably the sub-sea cables from the islands to the mainland, down the West and East coasts and the North sea supergrid.

We welcome Committee’s support for our ongoing work to develop Scotland’s grid connections to the rest of the UK and beyond.

Developing an onshore and offshore Grid is a priority to allow Scotland to develop and deliver its offshore renewable energy potential. It will be the key building block that will export Scotland’s renewable energy to national electricity grids in the UK and Europe.

As highlighted in the response to 118 above, the Scottish Government working on a number of fronts to deliver the grid connections that will connect, transmit and export Scotland’s energy potential.

We are working closely with DECC, Ofgem

Developing offshore interconnected grid work requires a collaborative approach to strengthening national grids while developing interconnections between countries, regions and members states into a strategic, co-ordinated and connected grid network – and developing off-shore grid in the North Seas in modular form to deliver an interconnected North Seas grid. It also needs significant and sustained effort to work with other parts of the GB networks and EU countries and regions to standardise electricity transmission and energy regulation. The Scottish Government is working closely with UK and EU partners on this.

Scotland already has offshore sub sea connections to Northern Ireland and some of the Scottish Islands. The period 2010-2018 will see significant activity to reinforce and develop these onshore and offshore connections aimed addressing some of the grid constraints within the GB system (and between Scotland and England in particular) and at connecting
and the main Scottish generators in the UK Electricity Networks Strategy Group (ENSG), to design the future grid reinforcement required to meet the 2020 target on renewables.

We are also working in partnership with the Governments of Ireland and Northern Ireland on the Irish Scottish Links on Energy Study (ISLES) — a major EU funded feasibility study on the delivery of offshore grid in the Irish Sea to deliver the renewable potential off the West Coasts of Scotland and Ireland and the associated community and environmental benefits and economic and supply chain opportunities for each partner country. The Scottish Government is also playing a key role in the Energy and Wave Workstreams of the British Irish Council.

Developing a North Sea grid has been identified as an EU Strategic Priority infrastructure project and we are working at both UK and EU level to ensure Scotland plays a role — and as recognised in our membership of the EU group on North Sea grid.

The Committee will also be aware that Ofgem have now asked DECC to use their powers under the UK Energy Act to take direct responsibility from Ofgem for establishing a new grid access regime. This work will be vital for developing appropriate and equitable grid network development and transmission access reform. We are looking to work closely with DECC in this fundamental review of transmission access and charging with a particular interest in both our onshore and offshore renewable generators.

Publication of the Electricity Networks Steering Group Vision 2020 report in March 2009 was a major step forward in designing the electricity transmission network that will help Scotland and the UK to meet the EU target of 15% of UK energy from renewable sources by 2020.

For sub-sea grid it identifies a need for two sub sea cables linking Scotland to centres of energy demand in the Southern part of the UK. It will see two sub sea cables off the east and west coasts of Scotland connected to centres of demand in England.

- a West Coast 1.8GW HVDC link between Hunterson and Deeside — attracting investment of around £760M - and planning for this is already underway, with consultation on possible sea route and landing points issued in June 2010. The target for commissioning the link is 2012/13:
- an East Coast 1.8 GW HVDC link between Peterhead and Hanwthrone Pit in Humber side — attracting investment in the region of £700M – the target for commissioning this link is 2018.

It also includes sub-sea High Voltage Direct Current (HVDC) links the Scottish mainland and the Shetland Islands, Orkney and the Western Isles and also in Argyll and Bute region.

A sub sea cable connecting Caithness to the Moray coast is planned, which will act as a hub for offshore wind projects in the Moray Firth. Further grid connections will be necessary to the other Round 3 offshore wind farms currently in development. In addition, interconnectors will be needed to allow renewable energy to be transmitted from the Western and Northern Isles to the mainland.
connecting renewable generation from Scotland. Our overall aim is to deliver a new approach to transmission access and charging that meets the new strategic reality, where climate change, energy efficiency and renewables targets and security of supply are as important as the delivery of economic and appropriate grid reinforcement.

The Scottish Government is also working in partnership with the Governments of Ireland and Northern Ireland – with EU Interreg funding on a full feasibility study into development of an offshore transmission grid to exploit offshore energy off our west coasts. This Irish Scottish Links in Energy Study project will become a key building block in delivering sub-sea grid in the Irish Sea – and will report by the end of 2011. This is identifying significant challenges and opportunities in offshore interconnected grid - around interconnection, standardisation of regulatory and legal frameworks and renewable energy and infrastructure support mechanisms.

In addition, in December 2010, 10 countries around the Northern European Seas agreed a memorandum of understanding on delivering an interconnected North Seas. This joint declaration will increase cooperation between Members States in the development of offshore grid connections. DECC is taking forward this work and the Scottish Government is working closely with DECC.

The Scottish Government has supported studies on the technical, economic, social and financial feasibility of the development of an offshore transmission network or grid to encourage electricity generation from renewable resources in both the North Sea and the Irish Seas. In January 2010 we welcomed the announcement by Scottish and Southern Energy and a consortium of Norwegian and Swedish renewable energy developments to further assess options for a sub-sea cable between Scotland and Norway. The Scottish European Green Energy Centre in Aberdeen will play a key role in supporting the route survey stage of this important and iconic project.

120. Building on any work already undertaken, the Committee calls for an audit of the other infrastructure, particularly harbour facilities that

Building on any work already undertaken, the Committee calls for an audit of the other infrastructure particularly harbour facilities

Stage 2 of the National Renewables Infrastructure Plan (NRIP) was published in July 2010, setting out a cluster approach in terms of regional groups that
will be required to deliver wave and tidal energy and offshore wind energy in the future and for an associated delivery plan to be produced by summer 2010. The Scottish Government's RAP addresses this issue. Amongst other actions, Scottish Enterprise and HIE have been tasked with developing a clear spatial framework for port and port-side land and landward infrastructure that can support the manufacturing, construction, and operation and maintenance of offshore wind devices and wave and tidal machines. They will report back on the key infrastructure projects identified to the Energy Advisory Board in October identifying potential additional public sector investment. An investment plan making these "National Renewables Infrastructure Projects" ready for action and private sector investment; particularly around the key projects needed to create the platform for growth will be prepared and this will identify additional funding needed. The Scottish Government will ensure that the Committee is kept informed of developments with regard to this review. As part of this work Jim Mather will also visit the leading Bremerhaven port in Germany to see their renewable facilities first hand.

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<th>121. The Committee is disturbed at the evidence received in relation to the current and planned charging and access regimes to the transmission networks. It is particularly concerned that this is already undermining the viability of renewable energy developments in Scotland and could act as a major inhibitor to growth in this sector. The Committee supports the calls from the Scottish Government and the various energy utilities in Scotland for</th>
<th>We are delighted that the Committee recognises the strength of Scottish Government’s argument. We welcome the findings of Ofgem’s Transmission Access Review and its recognition of the need for a holistic model for the allocation and pricing of transmission access rights, finding ways to maximise access to existing capacity, and prioritising projects with consents and financing in place. We urge National Grid to</th>
<th>Scotland has some of the best energy resources in Europe, yet the locational charging approach to electricity generators results in Scotland facing the highest charges in the UK. It is barrier to renewable energy generation in Scotland. It is not fit for purpose to deliver a more sustainable, low carbon energy mix, ensure security of energy supply and meet Scottish, UK and EU renewable energy targets. Scottish Ministers, the EET Committee and the Scottish Parliament, the electricity sector and business and</th>
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<td>can have complementary roles. 3 broad geographic clusters have been identified – Forth/Tay, Moray Firth and West Coast with a subsea and maintenance cluster identified in Aberdeen/Peterhead. The Plan highlights that investment of £223 million could support the manufacturing of 750 complete offshore wind units per year, creating 5,180 manufacturing jobs and an annual economic impact of £295 million per year. The National Renewables Infrastructure Fund (NRIF) was announced in November 2010. This new £70 million fund has been established to support the development of port and near-port manufacturing locations for offshore wind turbines and related developments including test and demonstration activity, with the overall aim of stimulating an offshore wind supply chain in Scotland.</td>
<td>We are delighted that the Committee recognises the strength of Scottish Government’s argument. We welcome the findings of Ofgem’s Transmission Access Review and its recognition of the need for a holistic model for the allocation and pricing of transmission access rights, finding ways to maximise access to existing capacity, and prioritising projects with consents and financing in place. We urge National Grid to</td>
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### Ofgem and others to substantially rethink their planned charges.

move quickly on the Transmission Access Review proposals. Overall, we recognise that Ofgem and National Grid are aware of the scale of the issues, and are coming forward with activity to try to address them. But progress is slow and we need to continue to press for real outcomes. The Scottish Government believes that proposals set out in CAP 167 will act as a disincentive to developers wishing to build new renewable energy generation and we would encourage Ofgem and National Grid to access alternative arrangements (such as derogation of generation), to allow smaller generators to be connected.

DECC are taking direct responsibility from Ofgem for establishing a new grid access regime.

122. The Committee is seriously worried that public bodies are continually failing to address the problems in the planning system. The Committee calls on the Scottish Government to work with local government to identify and if trades union leaders in Scotland have argued the case for change. We welcome this unanimity of position with the Committee.

Scottish Ministers welcomed the launch of an independent review of transmission charging by Ofgem in September 2010. It is vital that this review delivers lasting and fundamental change for a more equitable regime for access and charging for use of the grid.

Following extensive consultation and further work led by Scottish Ministers, the Scottish Government published a further set of options for changes to locational charging. These views have been published as part of Project Transmit.


In total, 60 responses have been submitted in response to the call for evidence by Ofgem. The Scottish Government agrees with the response of the Committee to TransmiT. There has been a strong response from Scotland. 21 responses (35%) are from Scottish based companies, individuals and groups, and a further 12 (20%) have facilities or interests in Scotland. The responses show significant support for a move away from the current locational approach.

Scottish Ministers are in ongoing discussions with UK Ministers and OFGEM on Project Transmit on options for change that would reduce the scale of the charges Scottish generators face. We welcome the ongoing support and involvement of the Committee on this important issue.

The Scottish Government’s Renewables Action Plan addresses issues in the planning system directly. A key objective is to develop closer working with planning authorities and other statutory consultees.

The Scottish Government is working closely with planning authorities and key agencies to ensure that planning modernisation is implemented effectively.

It is working with local authorities and other
necessary provide additional funds in the next budget round that will substantially increase the numbers of planning officers specialised in renewable and other energy technology applications and the skills base of these officers.

and stakeholders, facilitating better sharing of information and experience. The Energy Consents and Deployment team within Scottish Government have undergone a transformation with staff numbers doubling and the development of specific areas of expertise. Decisions are also made in dramatically reduced timeframes as recognised by the BWEA in their State of the Industry report in October 2008. “In 2007 the incoming Scottish Government promised to improve the system in order to maintain investor confidence in what is effectively the renewable powerhouse of the UK. These promises were kept, with a flurry of decisions coming after Government took office and a further voluntary pledge to make decisions on Section 36 projects within nine months of submission. No less than a dozen projects have been determined since the new Government was formed, sending positive signals about Scotland’s determination to reach not only 2010 renewable energy targets, but to remain open for business to help meet the more challenging 2020 targets”.

We encourage pre-scoping dialogue between developers, statutory consultees and other stakeholders including planning authorities. Participants in these pre-applications groups have found them hugely beneficial. The Scottish Government has noted the conflicting evidence provided to the Committee on the need for extra planners. Specific training provision for professional planners is principally a matter for the individuals and their employers. Since 2006, the Scottish Government has stakeholders to develop a new performance assessment framework which will give a rounded and measurable view of the planning service as a whole, as a means to drive a culture of continuous improvement in the service. Related to this, the Government is also working with stakeholders to produce a new structure to calculate planning application fees, alongside consideration of how to make the most effective use of planning budgets, in a way that can deliver an efficient service that is properly resourced.

The Scottish Government will shortly publish on-line its revised planning advice on renewables, providing up-to-date guidance and step-by-step advice on a range of existing and new technologies. Further advice, for example on microgeneration and on community benefit, will be provided during 2011 and the advice as a whole will be kept under periodic review. The aim and structure of the advice is to provide planning officers with the information they need on renewable technologies in a readily accessible format.

The Scottish Government has also reviewed the first 12 months of the new system of planning applications, appeals and local reviews and will publish conclusions and next steps in the near future.

Since 2006 the Scottish Government has provided £2.6 million to the Improvement Service (IS) to deliver the Planning Development Programme (PDP). The PDP has provided training and development opportunities to local authority planning officers and members on implementing the modernisation agenda of the Planning etc. (Scotland) Act 2006. A wide range of workshop sessions is available, including two that cover
been supporting an increase in the availability of training opportunities for planning authority staff and elected members through the Planning Development Programme. To date there has not been any training provided which directly relates to renewable energy, however this source of funding continues to be available to authorities requiring training for their staff and elected members. We do plan to facilitate cross-working and understanding among decision makers through a series of workshops with planning authorities and key stakeholders that will increase officers’ knowledge and understanding.

renewable energy: Energy Efficiency and Low and Zero Carbon Development considers how planning policy and applications can reduce energy demands and influence energy supply; Sustainable Buildings and Places considers how energy efficiency and renewable energy interlinks with other aspects of development. The current grant period for the PDP finished at the end of March 2011. Discussions are currently underway with the IS and COSLA on the future of the programme.

| 123. The Committee calls for the establishment of a ‘pooling’ arrangement to share expertise across those organisations with a decision-making or regulatory role in the consent process. | As discussed above the Scottish Government already facilitates pre-application groups for large scale developments that bring together regulators, local planning authorities and developers to work on ensuring applications are strong. These provide a perfect opportunity to share expertise as the Committee suggests and we are working with industry and other stakeholders to establish this as best practice where possible. The workshops also discussed above provide another ideal opportunity to share expertise and agree an approach in specific sectors. | Scoping meetings undertaken prior to Formal Application. The Scottish Government Energy Consents Unit have now implemented this integrated approach whereby all statutory consultees come together to discuss complex or large scale applications. This process has proven to be very useful and often includes a joint site visit in the early design stage of the project. Local Planning Authorities have welcomed this approach and both Scottish Natural Heritage (SNH) and Scottish Environmental Protection Agency (SEPA) are very receptive to this proactive engagement strategy. The introduction of focussed and specific gate-checking meetings has likewise been warmly received by planning authorities and other consultees. This exercise is carried out following receipt of an applicant’s Environmental Statement and allows the parties involved to test understanding and clarify issues directly with the developer. This has proven to be particularly useful when dealing with complex, large scale applications. This technique was applied in several high profile applications including Hunterston and the recent Biomass Applications from Forth Energy. |
| 124. The Committee calls on the Scottish The Scottish Government is committed to The Scottish Government updated the Community | | |
Government to consider how community benefits from onshore and offshore renewable energy developments can be further promoted, drawing on the examples of favourable financial and regulatory regimes that exist within the oil and gas funds in Orkney and Shetland and in other countries. The Committee suggests that the Scottish Government produces a report along with Scottish Renewables, local groups and others on this matter by the end of 2009. Ensuring community benefit from Renewable Energy projects.

Action we have taken to promote this includes:

- Published a Community Renewable Energy Benefit toolkit to encourage and help communities considering how they can lead from their own renewable energy projects. It contains information, advice, details of best practice, case studies, possible funding sources and where to go next to get help. It also highlights opportunities for communities to engage with commercial developments and maximise benefits, and links to the UK Community Benefit Toolkit produced by DECC working alongside the Scottish Government which considers this in some depth. Both reports can be found at:

  UK Community Benefit Toolkit

- Provide advice and financial support - £8M this financial year and £7.5M for 2010/11 - through the Communities and Renewable Energy Scheme (CARES), building on the previous support under the Scottish Community and Householder Renewables Initiative (SCHRI). Extensive consultation was conducted to inform the

Further to Mr Lochhead’s announcement, proposals for a Community And Renewable Energy Scheme (CARES) loan fund for pre-planning costs are now included in the Scottish Budget Bill and Ministers are considering whether access can be given to land managers.

The SG has published “Securing the Benefits of Scotland’s Next Energy Revolution” November 2010, consultation looking at:

- Reform of Crown Estate to bring benefits of revenue from renewables to Scotland
- Setting up Future Generations Fund
- Register of community benefits from commercial renewables developments
- Anything more to be done via planning
- How can we lead by example in community benefit from renewables on public estate
redesign of the scheme. The focus is now on developing community owned projects which ensure maximum benefit for communities. The scheme is managed for Scottish Government by an independent charity, Community Energy Scotland and now provides capital grants up to £150k - the previous maximum amount available was £100k. It also continues to provide dedicated support from a team of development officers across the country, developing projects from the initial inquiry stage to post installation. Fuller details are available at: http://www.communityenergyscotland.org.uk/cares.asp. Other relevant sources of Scottish Government funding include the Scottish Rural Development Programme (£1.6B from 2007-2013) and the Climate Challenge Fund (£27.4M over 3 years 2008-11).

- Our Renewables Action Plan contains a framework for action for community renewables. The Scottish Government is establishing an implementation group to oversee and coordinate delivery of these actions. Fuller details available at http://www.scotland.gov.uk/Publications/2009/07/06095830/0

We will ensure the Committee are kept informed of all developments.

125. The Committee considers that Scottish Planning Policy 6 has been an important tool for the current series of nineteen Scottish Planning Policies and National Planning. A consolidated Scottish Planning Policy was published during 2010 bringing together all the
for planning authorities and calls on the Scottish Government to ensure that any standardisation/simplification of the planning policy into a more unified framework does not dilute the full force of Scottish Planning Policy 6 in delivering the renewable energy targets and supporting the renewable energy industry in Scotland.

Policy Guidelines is being consolidated into a single, shorter document as part of the Government's commitment to practical and proportionate planning policies. The consolidation is not a review of national planning policy, but a new style of presenting national planning policy is being adopted which is clearer and more concise. The advice, contextual information and duplication in the existing documents have been removed.

The draft consolidated SPP was published for consultation on 1 April 2009. The consultation period closed on 24 June 2009. The committee’s comments will be taken into account alongside the consultation responses when the SPP is finalised. The Scottish Government remains committed to existing national planning policy for renewable energy, and the policy will continue to be supported by a Planning Advice Note, which will be updated later this year.

126. The Committee welcomes the agreement as part of the recently passed Climate Change (Scotland) Bill in relation to the extension of general permitted development rights for air-source heat pumps and for micro wind. This has been an issue recently called for by the Committee. The Committee calls for this provision to come into force as soon as possible.

Section 51A, domestic microgeneration, will come into force on the day after the Bill receives Royal Assent. This is specified in section 67(3A).

The Bill contains no equivalent requirement in respect of Section 51B, non-domestic microgeneration. The Scottish Government intends to bring this section in to force during 2010 in a manner which dovetails with ongoing work on changes to the remainder of permitted development rights as part of the implementation of the Planning etc. (Scotland) Act 2006.

An Order providing for permitted development rights for domestic microwind turbines and air source heat pumps was laid in February 2010. Following a further consultation, it was decided that these rights could not be extended further. A letter explaining that it had not been possible to identify a threshold (taking account of variations in background noise) allied to a consistent measurement technique that would provide adequate safeguards was issued to the Committee on 18 November 2010. An Order giving effect to non-domestic microgeneration permitted development rights is expected to be met on time as obliged by section 71 of the Climate Change (Scotland) Act 2009.
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<th>127. The Committee welcomes the amendments made to the Climate Change (Scotland) Bill at Stages 2 and 3 which will now see the Scottish Ministers gaining powers to consider introducing some form of local tax rebates and business rate subventions for investments in renewables, micro-renewables and energy efficiency. This has also been a change supported by the Committee.</th>
<th>The Scottish Government welcomes the Committee’s support for these amendments. These amendments will help to incentivise uptake of energy efficiency measures and renewable technologies by requiring local authorities to establish council tax rebate schemes, and, giving Scottish Ministers a power to introduce reductions in non domestic rates for energy efficiency measures. The measures involved can save energy, reduce carbon emissions, and lower energy bills.</th>
<th>The Scottish Government welcomes the Committee’s support for these amendments. These amendments will help to incentivise uptake of energy efficiency measures and renewable technologies by requiring local authorities to establish council tax rebate schemes, which all now have in place, and, giving Scottish Ministers a power to introduce reductions in non domestic rates for energy efficiency measures. The measures involved can save energy, reduce carbon emissions, and lower energy bills.</th>
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<td>128. The Committee calls on the Scottish Government and the UK Government to work constructively together to see if a way can be found that will release the funds held by Ofgem in its fossil fuel levy account in a manner which will not impact on the Scottish Consolidated Fund. The Committee requests that a report on this matter be produced ahead of the UK Government’s next budget expected by April 2010.</td>
<td>The Fossil Fuel Levy fund currently stands at £164 million, and remains unspent in an Ofgem bank account. This matter has been the subject of continuous correspondence from Scottish Ministers and officials to UK Government counterparts since May 2007, with the most recent correspondence dating to the end of July 2009. Treasury Ministers thus far remain adamant that no flexibility can be found to Treasury rules on Departmental Expenditure Limits (DEL), and that FFL surplus resources, if released to Scotland, would not be additional to Scotland’s block grant, which Treasury would therefore reduce by a corresponding amount. If the FFL funds were released according to the Treasury’s interpretation, Scotland would therefore receive no additional monies, and the benefit would instead accrue to the Treasury itself. With a concrete set of proposals in hand for how the FFL could be invested to increase Scottish renewables capacity, and thereby contribute further to UK renewables targets, Scottish Ministers continue to press for a</td>
<td>The Fossil Fuel Levy surplus stands at over £194 million. Scottish Ministers are continuing to make the case for early release of these funds to enable critical renewable energy investment in Scotland.</td>
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flexible solution (for example a temporary increase in DEL cover), which would enable the funds to be released as additional spend on the renewable energy sector in Scotland.

129. The Committee calls on the Scottish Government to hold an immediate meeting with banks and financial organisations to assess the scale of the reported drop in the availability of project finance and other forms of financial support available to renewable energy developers and to identify solutions and to consider what support the Scottish Government could provide to ensure that continued growth can be promoted in renewable energy in Scotland. The Committee requests that the Scottish Government provide a report of this meeting once concluded.

As an area of immediate focus the Scottish Government reconvened the Marine Energy Group (MEG) to coordinate the production of the Marine Energy Road Map which was published on 26 August 2009. The MEG finance sub-group will have a number of key recommendations. In addition a number of studies have been commissioned including a baseline study, supply chain, resource base and energy storage. Prior to the completion of such studies any estimate of financial commitments required would be incomplete. Ministers will consider these and funding recommendations for other sectors in due course.

More broadly Ministers and officials continue to meet banks and financial organisations on a regular basis. The Scottish Government and its agencies continue to consider how to address any market failure and any substantive outcomes will be reported in due course.

For an update on the WATERS Scheme and Saltire Prize please see point 143.

The Scottish Government has also convened the Offshore Wind Industry Group (OWIG) involving developers from all Scottish Offshore Wind Projects (STW and Round 3) as well as SE, HIE, SDI, SNH, Marine Scotland, The Crown Estate, grid companies etc. It serves as the main conduit for industry intelligence on key issues.

In September 2010 OWIG published Scotland’s Offshore Wind Route Map an industry-led document setting out the opportunities, challenges and the priority recommendations for actions, for the sector to realise its full potential in Scotland. The Route Map identified that with the right support, the successful delivery of the offshore wind industry offers the potential to create 28,000 direct jobs and a further 20,000 jobs in related industries and £7.1 billion investment in Scotland’s economy by 2020.

130. The Committee is concerned about the hurdles in developing renewables (including hydro, wind and biomass) and other forms of energy production that arise out of the tensions in the functions of the Scottish Environment Protection Agency and Scottish Natural Heritage. Whilst the Committee concurs with the need to protect Scotland’s environment and natural heritage, it also recognises the pressing need for the promotion of renewable energy to address the problem of climate change. It therefore calls

During 2005 to 2008 SNH commented on 1504 renewable projects of which only 5% were objected to and a further 6% had conditioned objections. SNH engages with developers and local planning authorities as fully as it can throughout the whole planning process with the aim of ensuring that significant issues are identified and dealt with at an early stage. Since 2008 SNH and SEPA have been working together to streamline the handling of planning applications where there are issues of

GP WIND UPDATE

This project is progressing well. A common case study methodology has been prepared and agreed and a call for case study examples has begun. The next step is to agree the case study workload that the project will focus on and take forward for development. This component is scheduled to be completed in March 2011.
on the Scottish Government to consider how the statutory and regulatory functions of these two bodies can be reconciled in order to ensure that they fit with the Scottish Government’s own commitments to reduce carbon emissions.

interest to both organisations and in particular on hydro electric proposals. This has had a significant impact and has contributed to the overall performance increases with regard to determinations made by Scottish Government (see answer to recommendation 131). This work has been widened to involve other public sector consultees and has become an integral part of Scottish Government's agenda to reform the planning system.

Both SEPA and SNH are represented on FREDS, and SEPA will be represented on the new FREDS heat, micro-hydro and hydrogen sub-groups that are being established.

Action on Climate Change

SEPA and SNH have been working to ensure that our functions and efforts are as efficient and effective as possible.

Current joint work between SEPA and SNH that contributes to the Scottish Government’s commitment to reduce carbon emissions include:

- Joint work project to develop and deliver a ‘best practice guidelines on windfarm construction’.
- Joint project to deliver a sharing best practice hydro seminar 16th September 2009 SEPA working with SG energy consents and SNH on streamlining consenting processes, August 09.
- 8th Sept event on smaller scale (<1MW) hydro consenting with Scottish government and SNH.
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<th>68</th>
<th>Joint working between SEPA, SNH and Scottish Government to streamline the consenting process for all energy developments, including the EIA process. SNH and SEPA have also been working in partnership on joint guidance for hydro developers. The guidance will focus on the information requirements for planning applications and will offer detailed guidance on survey methods for certain species; legislative requirements and the environmental impacts of hydro developments. A working draft has been published and we will be working collaboratively over the coming months to complete this task. The draft is available here: <a href="http://www.sepa.org.uk/water/water_publications.aspx">http://www.sepa.org.uk/water/water_publications.aspx</a></th>
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<td>131. The Committee is concerned by the level of consent refusals, especially in relation to onshore wind. It calls on all the relevant authorities to be far more positive in relation to the planning and consents system and to accelerate agreements for projects within our energy sector. The Scottish Government is committed to processing all new section 36 applications within a 9 month timescale, except those cases which have been referred to Public Local Inquiry. We have determined 27 large scale renewable applications since May 2007 – more than the previous administration did over 4 years. 22 of these determinations gave consent to the proposed projects. The Scottish Government does not believe this constitutes a poor record on consent refusals and indeed this is supported by industry experts including the BWEA (see answer to recommendation 122). The Scottish Government acknowledges the need for more consented renewables projects but not at any price - the best applications are those that take care to resolve environmental and planning issues.</td>
<td>The Scottish Government does not systematically monitor the outcome of applications for renewable energy development proposals submitted to planning authorities. The Scottish Government is confident that its own consenting performance on large scale onshore wind farms (&gt;50MW) and hydro schemes (&gt;1MW), alongside smaller schemes approved by planning authorities has exceeded the 31% target for 2011 and will contribute to the achievement of the 2020 80% target.</td>
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concerns in advance. Indeed we have established pre-applications groups, involving our statutory consultees and other organisations, for large scale developments involving regulators, developers and planning authorities to assist in this task – an unprecedented approach to the consents process. In this way we will encourage better, more carefully thought out applications with a greater chance of positive determination. Such projects are also more likely to retain public support.

132. Given that heat accounts for the majority of our energy demand in Scotland, the Committee supports a marked increase in investment in combined heat and power plants, particularly those using renewable fuels and those combined with district heating. The Committee believes that biofuels, as well as increased waste combustion, could play an important role in delivering more combined heat and power. This, however, must be in line with the waste hierarchy where efforts are made first to reduce, reuse, recycle and recover the energy contained within the waste. The Committee believes that only material that does not fall into one of these categories should go to landfill.

The Sustainable Development Commission (SDC) report commissioned by the Scottish Government shows there is very significant potential for a substantial increase in small to medium heat only biomass including CHP. Meeting a further 2-3% of heat from small to medium scale installations by 2020 is feasible. The Scottish Government recognises initial capital cost for purchase and installation of the required equipment (CHP/Biomass boilers, distribution systems) can be quite considerable compared with fossil fuel systems, particularly district heating networks. This represents both a barrier to uptake, and an opportunity for business in driving innovation on cost reduction. This issue is canvassed in the SG forthcoming Energy Efficiency Action Plan consultation.

As required under the Climate Change (Scotland) Act 2009, on 3 November 2010, The Scottish Government laid a report before parliament setting out the steps being taken to implement the Renewable Heat Action Plan.

As part of the Spending Review in October 2010, the UK Government confirmed its intention to introduce a Renewable Heat Incentive (RHI). It was expected to be introduced from June 2011 but we have recently been advised by DECC that the timetable has slipped. We await further details.

In terms of support for district heating it is the intention to introduce a loan fund in the next financial year (2011/12) to help support growth.

The Scottish Government's policy on waste is based on zero waste and the waste hierarchy contained in the EU Waste Framework Directive. The Government has indicated that all energy from waste plants should aim for high levels of efficiency. Therefore, SEPA have produced guidelines on the Thermal Treatment of Waste (http://www.sepa.org.uk/about_us/news/sepa_publications/sustainable_development_revision_guideline.aspx) which seeks to encourage that energy from waste plants treating any form of
proposed for April 2011 should help to stimulate demand at the scale necessary to meet the 2020 target.

The Scottish Government’s policy on waste is based on zero waste and the waste hierarchy contained in the EU Waste Framework Directive. The Government has indicated that all energy from waste plants should aim for high levels of efficiency. Therefore, SEPA have produced guidelines on the Thermal Treatment of Waste (http://www.sepa.org.uk/about_us/news/sepa_publishes_revised_guideli.aspx) which seeks to encourage that energy from waste plants treating any form of waste aim to capture the heat efficiently and seek markets for the heat. A future focus for action is that this guidance is enforced and that we enable the creation and growth of CHP and/or heat networks in relation to energy from waste facilities with the aim of improving the competitiveness of business locations. However, given that in waste policy the priority will remain action to reduce, reuse and recycle waste, SDC’s assumption in their report is that if 25% of suitable wastes (such as waste wood and other biological wastes suitable for anaerobic digestion) are used, this could provide just below 5% of Scotland’s heating needs.

The Scottish Government, along with the other administrations in the UK, has commissioned, through the Waste and Resources Action Programme Scotland, a project on the practicalities of introducing more landfill bans. This project is due to report later in 2009.
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<th>133. The Committee calls on the Scottish Government to carry out immediately a “heat-mapping” exercise in order to assess how combined heat and power and energy-from-waste could be most efficiently and effectively developed in Scotland.</th>
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<td>The Scottish Government is funding a heat mapping pilot with Highland Council and in conjunction with CoSLA. The terms of reference have been agreed and work tendered over summer 2009. This will be a significant contribution towards developing a consistent approach to heat mapping as the results of the pilot exercise will be disseminated to Councils across Scotland.</td>
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<td>The Scottish Government is funding Highland Council to undertake a heat mapping pilot in their area. The heat map will consider both demand and supply elements. Highland Council are in the process of updating their Strategic Plan and are using the map as part of the that process. The map will be completed by the end of March 2011. The Scottish Government will disseminate the lessons learned and methodology to all LAs and offer funding to support its roll out. The Scottish Government is encouraging planning authorities to map areas of heat demand to sources of supply (including energy from waste) in their strategic and local development plans, drawing on the experience gained in the pilot Highland Heat Mapping project. It is also considering how heat map datasets might be incorporated in its Integrated Land Use Database.</td>
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<th>134. The Committee recommends the rapid introduction of heat initiatives modelled on the renewable obligation certificates and the consideration of financial incentives, including local taxation or non-domestic rate rebates, for renewable heat installations.</th>
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<td>The Committee will be aware that, following the review of the RO, biomass CHP plants will receive 2 ROCS. The introduction of the Renewable Heat Incentive (RHI) which is proposed for April 2011 should help to stimulate demand at the scale necessary to meet the 2020 target. Renewable heat is a mixture of devolved and reserved provisions (while Scottish Ministers have powers to promote renewable heat, any regulatory incentive administered by Ofgem will cut across reserved functions). Scottish Ministers have agreed with the UK Government that Westminster can legislate on their behalf in terms of the renewable heat incentive (RHI) but that Scottish Ministers will be consulted on its introduction to ensure specific Scottish interests are taken into account in the design of the RHI.</td>
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<td>Please see reply to point 132 about the RHI.</td>
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scheme. The initial consultation on this incentive will take place towards the end of 2009. We will continue to work closely with the Department of Energy and Climate Change (DECC) to highlight Scottish needs in the consideration of mechanisms to enable the wider use of renewable heat, in particular the introduction of the RHI and the banded RO.

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<th>135. The Committee calls for the Scottish Government to conclude its consultation on section 36 (of the Electricity Act 1989) consents as soon as possible and to use this opportunity to accelerate the take up of district heating associated with power stations. It should no longer be acceptable for a power station to be built without consideration of how to use its waste heat either through such technologies or in some form of localised heat network.</th>
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<td>The Scottish Government has decided to delay the issuing of its final guidance in relation to the consenting for thermal power stations in order to coincide with the current consultation on CCS and CCR matters being run by DECC. This is to ensure that the regulatory background on this matter is as broadly consistent as possible, a view which the industry has expressed its support for. The final guidance will contain guidance relating to Heat matters although we acknowledge the point made in the report with regard to Heat and we recognise that this is an area which will require more work. Wherever possible, we want to see the option of heat utilisation being seriously considered although there are a number of challenges which still require to be considered.</td>
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The Scottish Government has commissioned research in waste heat from large fossil fuel power stations to inform energy and planning policy and guidance. This will assess a number of issues including potential capacity; barriers to its implementation and the potential role for government. The use of waste heat could be a way to assist security of supply whilst reducing overall emissions. The date for completed is end March 2011.

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<th>136. Given that transport does not fall within the remit of the Committee, the Committee limits its calls for action in this key area to highlighting the need for a comprehensive strategy to address the development and delivery of more sustainable transport as well as a reduction in energy consumption. The Committee considers that this is particularly critical given Scotland’s dependence on oil and its consequent vulnerability to increases in the price of oil.</th>
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<td>The Scottish Government recognises in its Climate Change Delivery Plan that it is essential to achieve almost complete decarbonisation of road transport and rail by 2050 (with significant progress on the former by 2030 through wholesale adoption of electric cars and vans). It also recognises the need for additional planning and demand management measures through to 2020 to reduce the need for travel and the carbon intensity of travel; and to maximise active</td>
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<td>The Scottish Government recognises in its draft Report on Proposals and Policies (RPP) that it is essential to reduce the need to travel, widen transport choices and improve driving efficiency. Following Parliamentary consideration and consideration of the various other representations made, the RPP is currently being finalised. In addition, it is our aim to publish a Low Carbon Vehicles Action Plan in the Spring.</td>
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The Scottish Government’s Low Carbon Vehicle consultation (29 June-2 Oct 2009) considers how the public sector and the wider Scottish fleet will make greater use of low carbon vehicles and alternative fuels. In doing so, it poses questions around vehicles powered by renewable electricity and other sources of renewable energy. It also demonstrates why emissions from road transport must be addressed, and how low transport technologies and renewable fuels are expected to play an important part in helping to ensure that 10% of Scotland’s transport fuels come from renewable energy sources by 2020.

| 138. The Committee calls on the Scottish Government and other public bodies to increase the involvement of oil and gas industry representatives in the various skills bodies (e.g. Scottish Funding Council, sector skills groups, Skills Development Scotland etc) and to promote the model of the oil and gas academy to other industries. |
|---|---|
| The Scottish Government is currently in discussions with Skills Development Scotland on the issue of skills in energy. We have also held discussions with representatives of the relevant sector skills council on how best to ensure that the various skills organisations communicate and share best practice as much as possible. This engagement and the lead shown by the Scottish Government has led to a secondee from Energy and Utility Skills being placed directly into the Scottish Government’s Renewable Energy Division. He will start work shortly to address the needs of that particular sector including engaging with the Renewable Energy Skills Group established by Scottish Government. |

It is estimated that there will be between 50-90,000 additional job opportunities within the Energy Sector to 2020. These opportunities combine replacement demand and new additional growth in emerging sectors including offshore wind, renewables and Carbon Capture and Storage areas as well as the more developed oil and gas sector. The Forum for Renewable Energy Development Scotland (FREDS) skills group has been established to ensure that the predicted growth of the renewables sector is enabled by delivering the skills required effectively. The group’s membership is made up of representation from key industry players and the main skills and learning delivery bodies including Skills Development Scotland, the Scottish Funding Council, Skills Sector Councils, the colleges and university sector and also OPITO who are the oil and gas industry’s focal point for skills, training and workforce development. While the skills group has a renewables focus there is a clear recognition that there are not only lessons to be learnt from the oil and gas industry but also clear skills synergies with
139. The Committee calls on the Scottish Government to work with the relevant parties to urgently remove all the blockages to realising the €40 million EU investment in an offshore wind test centre in Aberdeen.

The Scottish Government strongly supports the proposal for an offshore test centre that meets navigational safety and aviation requirements. As the organisation charged with the promotion of European projects the Scottish European Green Energy Centre (SEGEC) was actively involved in the completion of the application for European funding which was successfully completed on time.

As the determining authority for any proposed development it would not be appropriate for the Scottish Government to comment further at this time. The Committee’s comments have been noted.

The European Offshore Wind Deployment Centre (EOWDC) is an offshore wind demonstration project being developed by Vattenfall Wind Power, Technip and Aberdeen Renewable Energy Centre (AREG).

It is designed to accelerate the development of offshore wind power by proving new technology, installation and operation methods. It is designed to have provision for up to 11 offshore wind turbines.

EOWDC was awarded an Exclusivity Agreement by The Crown Estate as an offshore wind demonstration site in August 2010. In December 2010 a grant award of up to 40 million Euros within the European Economic Recovery Programme has been made to the EOWDC by the European Union. The EU Grant will support both development and capital costs associated with the project.

A full planning application will be submitted to the Scottish Government in early 2011.

140. The Committee supports efforts towards achieving a timely development of carbon capture and storage technology, through the EU and UK competitions to demonstrate functioning commercial-scale technology and through the pricing of carbon at appropriate levels. The Committee calls for these competitions to be speeded up as far as possible and fully endorses the proposed project by Scottish Power at Longannet. The Scottish Government should take all steps to support Scotland’s case for winning the UK

Agreed. The Scottish Government has been and continues to be heavily supportive of Carbon Capture and Technology. We have supported the proposed project at Longannet, both with regard to the UK competition and also potential European Funding. We are also ambitious to see other CCS related projects develop in Scotland. We continue to support such activity and are ensuring that CCS projects in Scotland have the maximum chance of success. We were a significant funder of the study released in

We continue to support Carbon Capture and Storage (CCS) as a critical technology to help us achieve our target of a largely decarbonised electricity generation sector by 2030.

We continue to support the Longannet CCS project which is now the only remaining bid in the UK competition.

We are currently implementing the EU Directive on Geological Storage of CO2 to ensure that Scotland has the necessary regulatory framework in place to
May 2009 which assessed storage capacity in the North Sea and we have committed ourselves to the publication of a CCS Roadmap in Autumn 2009. Further work, building on the May report, is currently being discussed with a view to commencing soon. We are currently updating the CCS Roadmap and plan to publish March 2011.

We continue to support Scottish research and the CCS successor study, building upon the work of the initial joint study, is due for publication in March 2011. We are also providing funding to a project under the EU Seventh Framework Programme (SiteChar) dedicated to improving the characterisation of sites for geological storage of CO2. A North Sea offshore multi-storage site (hydrocarbon field and aquifer) in Scotland has been selected as a test site for research which will examine the entire site characterisation chain on the basis of criteria defined by relevant EU legislation. This project also includes the important aspect of public awareness and opinions.

The Scottish Government is working closely with the UK Government on the 3 Scottish demonstration project bids for the New Entrants Reserve investment programme submitted to the UK on 9 February 2011. The Scottish Government will be involved in the project pre-assessment before they are submitted to the European Commission. The Commission is expected to make award decisions in the second half 2012.

The Scottish Centre for Carbon Storage has led on advice to the European Commission on the EU’s future CO2 transport and storage infrastructure through a major Commission-funded study which was published by the Commission’s DG Energy in January 2011. Scotland is treated as a priority in the study due to strong storage potential in North Sea aquifers and depleted hydrocarbon fields.
The Scottish Government lead a Regulatory Test Exercise to assess the CO2 storage regulations during summer 2010. This involved participation from all relevant Scottish, UK, local government regulators, industry and NGOs. The exercise was assessed by the Global CCS Institute with whom we have since worked to prepare a model Regulatory Test Toolkit to aid best practice in CCS regulation worldwide. The Toolkit was published on 15 February 2011, and we will be working with the GCCSI to roll this out across the EU in partnership with the European Commission.

| 141. The Committee calls for the Scottish Government to conclude its consultation on section 36 consents as soon as possible and to use this opportunity to drive the development of carbon capture and storage technology. | The UK Government has now issued a consultation on a number of aspects of CCS, including proposals for a levy on generation to fund up to 4 demonstration projects, consideration of the issue of Emissions Performance Standards and policy proposals for the basis on which coal fired power stations will be required to operate in the future. This consultation is due to end in September 2009 and the Scottish Government is working closely with the UK Government on this matter. With this consultation in mind, we have decided to await the completion of the UK consultation process before issuing our final thermal generation guidance. This will ensure that the regulatory framework in broad terms is similar across the UK as a whole, with the overall objective of encouraging CCS deployment and the objective of decarbonisation of the electricity sector by 2030. | See 140 above. |

| 142. The Committee calls for the accelerated injection of substantial financial resources in the necessary strategic infrastructure | Please note the answer to recommendation number 120 above | Please note the answer to recommendation number 120 above |
development that will be required to develop our marine renewable energy potential (e.g. the need for improved ports, harbours, manufacturing capacity etc). Initial steps should be taken in the next budget round.

143. The Committee calls for the Scottish Government to step in and address the lack of continuity in financial initiatives that support project development, particularly the gap we have identified in development finance that is needed in order to bring projects up to prototype scale. We consider this gap will hinder the development of marine renewable energy. In particular, whilst we welcome the Saltire Prize, it does not fill the gap left by the commitment of all of the funds from the previous Wave and Tidal Energy Support (WATES) scheme and the Committee considers that a successor to this is required.

The Scottish Government is already supporting sector through capital grants (WATES), and the highest level of support across UK under our Renewables Obligation - 5 ROCs for wave, 3 ROCs for tidal as well as the innovative £10m Saltire Prize. However, the Scottish Government recognises that access to finance remains a concern for the marine sector. The Marine Energy Group (MEG), including Scottish Government involvement, has published a Marine Energy Road Map which addresses finance, amongst other key issues for the sector. It makes a number of recommendations for support to the various stages of technology development as well as identifying the investment needed for fit-for purpose infrastructure - ports, harbours, fabrications site and vessels. Ministers will consider this Road Map in full.

The Scottish Government welcomes the recent funding announcements made by the UK Government in its Renewable Energy Strategy, acknowledging the importance of Scottish renewable energy in helping the UK to meet its own Renewable Energy targets.

The £12 million WATERS fund was announced in March 2010. Since then, WATERS has successfully secured over £3 million from the ERDF, taking the total fund to just over £15 million. The five successful companies are: RWE npower renewables (£6 million); Aquamarine Power (£3.15 million); OpenHydro (£1.85 million); AWS Ocean Energy (£1.39 million) and Ocean Flow Energy (£560k).

There are now 2 confirmed Saltire Prize Applicants who have provided evidence of agreement for lease from The Crown Estate.

144. The Committee accepts that there will be a need to extend the operating lifetimes of the current generation of nuclear power stations in Scotland. Such extensions should only be permitted if the necessary safety audits prove that this is viable.

We recognise the role that nuclear power has to play in the immediate short-term to help ensure security of supply. Any extensions are not a matter for Scottish Ministers although we have made clear that any decisions need to be taken with safety at the forefront. We have made clear our view that nuclear power will not be needed in the future.

No update.
medium to long-term as we focus on continuing to develop our considerable renewables potential alongside the development of law carbon technologies such as Carbon Capture and Storage.

145. The Committee’s majority view on the construction of new nuclear power stations is set out in paragraph 99 (Scotland does not need a new generation of nuclear power stations to be constructed)

Agreed. The Scottish Government have made clear our policy of no new nuclear power stations in Scotland. Seizing Scotland’s wealth of renewable opportunities will meet our future energy demands, help tackle climate change, and ensure Scotland’s energy security.

The Scottish Government’s policy on nuclear is supported by the Draft Electricity Generation statement (published 17 November 2010) which sets out clear evidence that by 2030 with a minimum of 2.5 GW of thermal generation, progressively fitted with CCS, we can ensure security of supply.

146. The Committee is very concerned, as we were during our inquiry into the tourism sector, at the institutional clutter in the skills and training sectors that are supposed to support the energy industry. The Committee calls on the Scottish Government to spell out how it intends to address this issue and report before summer 2010.

The newly formed Joint Skills Committee of the Scottish Funding Council and Skills Development Scotland is an expert body which will inform both agencies. The Scottish Government will ask the Skills Committee to consider the Committee’s concerns as an early priority.

The newly formed, and Scottish Government led, skills sub group of the Forum for Renewable Energy Development in Scotland (FREDS) will consider how institutional clutter in the skills and training sectors can be minimised as it takes forward the Renewables Action Plan Skills Framework.

In addition, in October 2010 the Scottish Government published a refreshed Skills Strategy. This sets out a flexible, responsive, partnership approach to addressing Scotland’s skills needs and improving economic performance across all sectors. Simplifying the skills system and ensuring the provision of skills matches the needs of employers are priority themes.

147. The Committee calls for a boost in the resources available to provide for an increase in apprentice numbers and in the number of people with the required technical skills to support the newer, emerging technologies. We also need funding to develop the transferability of skills in employees within existing sectors of the industry, including the nuclear, oil and gas industries.

The Scottish Government is working with relevant Sector Skills Councils and Skills Development Scotland to support development of this key and expanding sector. We have already committed £16m to support an additional 7,800 apprenticeships in 2009/10. There will be over 300 apprenticeship places supported in the renewables and energy efficiency sectors, including oil and gas in 2009/10. A new home energy efficiency apprenticeship was developed earlier this year and SDS is providing support to 100 individuals in this.

The Scottish Government has worked with partners to develop the Wind Turbine Technician Modern Apprenticeship which is now underway at Carnegie College.

SDS has been working with partners to develop an Energy Skills Investment Plan which will set out a series of priority areas for public sector investment that will support and sustain activity aligned with industry growth objectives. The Plan will be published in the Spring.

As ‘Energy’ is a key sector, as identified in the
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<th>Year’s pilot phase. This will build a framework of energy professionals to support companies’ long-term ability to contribute to energy efficiency goals</th>
<th>Government Economic Strategy, the Scottish Government funds all-age apprenticeships in this sector, rather than for those aged 16-19 only.</th>
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<td>Over the last four years there has been a significant increase in SDI’s activity associated with international trade and investment related to the energy sector. Renewable Energy in particular has seen an exponential increase in activity which is reflected in the 250% rise in the proportion of SDI Energy team budget allocated to the promotion of renewables energy over that time. The rise in activity within the renewable energy sector over this same period has also been reflected in an increase in SDI manpower resources dedicated to the energy sector as a whole resulting from the realignment of SDI resources to concentrate effort behind Priority Industries and a strengthening of SDI manpower based within the new regional structure adopted by Scottish Enterprise. This increase to SDI’s Energy Team represents a major commitment from SDI to meet the expanding growth of the renewable energy sector along with increased activity in other contiguous areas such as: • Energy Efficiency • Micro-generation and Distributed Generation • Carbon Capture and Storage • Sustainable transport • Energy Storage • Smart Grid and Grid upgrades • Decommissioning (Nuclear along with Oil and Gas)</td>
<td>SDI is continuing to invest significant resources in the Energy Sector. A new dedicated team has now been established to focus on opportunities within the renewables sub-sector, supported by some of SDI’s most experienced staff. This will be SDI’s highest priority in its new Strategy and Business Plan, reflecting the significant opportunity that Scotland offers and the immediacy of the ‘first mover advantage’ that can be exploited through the pace of our response. The National Renewable Infrastructure Fund (NRIF) will be our top priority in terms of project delivery, again reflecting the huge opportunity for Scotland in terms of developing the supply chain in the offshore wind sector. In addition to the Ministerial visits previously identified, a further Ministerial visit to China with a strong energy element is planned in March.</td>
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148. The Committee calls on the Scottish Government in the next budget round to consider increasing the level of support and resources available for the international promotion of Scotland’s energy industries. This would include increasing the number of ministerial-led trade missions (hosted by SDI, SCDI and UKTI) and ensuring co-ordination at Scottish and UK levels between these.
SDI has already led international engagement in the areas of Clean Technology involving sustainable energy, through our work in conjunction with SDI Aid Funded Business (AFB) team to penetrate bodies such as the World Bank, Inter-American Development Bank, Asia Development Bank and recently the African Development Bank.

The Saltire Prize has become a key platform for promotion of Scotland’s marine renewable potential, and SDI plays a key role in promoting the Prize. The current economic situation has underlined the ongoing need to support and sustain the efforts of the Scottish Oil and Gas service and supply chain to internationalise. While the industry may not be as dependent as it once was on a strong domestic North Sea market the performance of the UK Continental Shelf market is still a major influence on the growth prospects and economic performance of what is a major Scottish industry. We will maintain our emphasis on the need to sustain outward trade support to Scottish Oil and Gas service and supply companies.

Recent Ministerial visits that include an Energy element include:

First Minister – China – April 2009
Minister for Enterprise, Energy and Tourism – USA – May 2009
Cabinet Secretary for Finance and Sustainable Growth – Japan – July 2009

By way of example the First Minister’s visit led directly to three separate inward missions from Chinese wind related companies.
Commercial confidence precludes extensive discussion of Ministerial involvement in the inward investment agenda. Nevertheless it is extensive and has a direct effect on the success of investment projects e.g. the recent takeover of the Vestas facility in Machrihanish by Danish company Skycon.
Paras 228-9: The Committee welcomes the retention by the Scottish Government of the previous administration’s desire to see revenue from tourism grow by 50% by 2015, using 2005 as the baseline. This ambition was the shared goal of the government and the industry. We see no reason to review this target as we believe it provides clarity of vision and a shared objective that both the public and private sectors should strive to realise. The Committee recommends, however, that VisitScotland evaluates progress against this ambition on an annual basis and reports its findings to the Parliament and this Committee.

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.

The Scottish Government has continued to monitor the volume and value of overnight tourism through the United Kingdom Tourism Survey and the International Passenger Survey. Updates of these figures have been given over the period by VisitScotland to the Committee and are available on VisitScotland’s website.

As set out in its initial response to the Committee, the Scottish Government retained the industry ambition to increase tourism revenue by 50% by 2015. When the ambition was set, it was based on the currently available world-wide projections of tourism performance. Since then, we have experienced the worst recession of modern times with global impact. Tourism has experienced severe external economic and other pressures. In fact, Scottish tourism has shown great resilience since 2005 through difficult economic circumstances and events such as the volcanic ash cloud and airline strikes. It has also found the severe weather episodes challenging.

Overnight combined domestic and overseas visitor expenditure data shows we are not on a trajectory to achieve 50% growth by 2015.

Figures since 2005 are as follows:

- 2005 - £4.214 bn
- 2006 – £4.159 bn
- 2007 – £4.206 bn
- 2008 – £4.047 bn
- 2009 - £4.09 bn
Although there has been a drop of about 3\% (nominal prices) between 2005 and 2009 the numbers taken over the period show relatively flat performance.

The industry Tourism Leadership Group is undertaking a re-assessment of the TFFC and 50\% growth ambition. It aims to identify realistic targets for the next 5 years and the Scottish Government would expect these to be stretching but consistent with the current economic circumstances.

Para 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.

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 economic climate.

Since the initial response the worldwide economic climate has worsened and tourism has faced various additional challenges as listed above. The Scottish Government and agencies have been flexible and swift in their responses.

The Government’s Economic Recovery Plan has been a constantly evolving framework of action, developing the underlying sources of our competitive strength.

Year of Homecoming in 2009, influenced more than 95,000 visitors to travel to Scotland and generated £53.7m in additional tourism revenue for Scotland in what was a difficult year for global tourism.

VisitScotland’s tactical responses have included:

2009
- Freezing prices on Quality Assurance products, standard marketing opportunities and enhanced marketing opportunities
- Raising the threshold of the Growth Fund to 50\% (from 40\%) to help support groups with marketing activity. By 2010
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.

VisitScotland had supported more than 40 groups with a total of £1m in support of collaborative marketing projects.

### 2010
- Following the volcanic ash cloud, VisitScotland offered free marketing opportunities to businesses to help them recoup losses
- Running a targeted consumer campaign on radio and regional press and through VICs in Scotland and Northern England, directing consumers to take advantage of seasonal offers
- In the summer VisitScotland launched the first ever marketing campaign dedicated at Scots, capitalising on the staycation effect of 2009
- They continued to take advantage of favourable exchange rates for North Americans and Europeans travelling to Scotland, focusing on the value for money messages.

SE continues to deliver a range of support to encourage increased innovative activity.

Tourism Intelligence Scotland (a partnership between, SE, VisitScotland and HIE) now has over 2,500 registered users accessing the content available through the website. The most recent resources, focusing on golf and food & drink, have also been disseminated to the industry and the quarterly ‘Ear to the Ground’ newsletters continues to provide the sector with a more regular snapshot of current performance and market intelligence.
With 15 award winners to date, the Tourism Innovation Fund (TIF) has provided individual company support to a further 39 tourism businesses that applied during the first 5 rounds. TIF has now assisted 54 companies in total. Winners from the latest rounds will be presented with their awards at the industry’s annual conference during Scottish Tourism Week in February 2011. Eight Tourism Innovation Workshops have also been delivered involving 94 businesses.

The ‘Listening to our Visitors’ programme has also re-commenced its workshop delivery schedule with three workshops delivered so far this year and a further eight planned for delivery before the end of March.

Finally, the Technology through Tourism Project is now gathering pace. A mapping exercise is currently underway to identify the main technology requirements within the destination and product groups. This will feed into the overall strategic development. A pilot ‘Social Media for Tourism’ workshop has also been delivered in Loch Lomond with plans for a further six sessions across lowland Scotland. The half day workshops aim to highlight how social media works, why it is important, how tourism businesses can benefit from adopting a social media strategy.

In the HIE area, examples of actions being taken to support economic recovery and growth include bringing forward major investment cases, accelerating business support to companies with growth potential and levering in additional funds from outwith the region.
Para 231: Additionally, we recommend that VisitScotland and the Scottish Government, 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.

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 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.

Awareness of the growth ambition has been high and VisitScotland research has shown that 91% of stakeholders believe they have a role to play in achieving the ambition.

The new Tourism Leadership Group has been established to provide a truly industry-led focus for tourism growth. Leading industry figures are working together to advise the Scottish Government and public sector on what support the industry needs to achieve growth and galvanise the rest of the industry into action.

Agreed. The Leadership Group is initially working, with funding from the public sector, to refresh the Tourism Strategy and identify the key actions that need to be taken for growth to be achieved.

VisitScotland has brought together Scottish Thistle Award winners to harness their energy, enthusiasm and professionalism in support of growth in our industry, encouraging them to act as ambassadors across the industry.

VisitScotland has also announced a new approach to partnership working with industry, in particular a new approach to working with DMOs.

Para 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

The Strategic Forum has continued to build the collaboration of the key tourism agencies to further increase alignment and ensure that the impact of collective efforts to develop tourism is maximised. The Forum partners have agreed to develop Sector Delivery Plans for each of the key sectors identified with the Government Economic Strategy which will set out the opportunities and integrated actions required to achieve economic growth.

The work by the Tourism Leadership Group to refresh the industry strategy will provide the
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.

### Basis for the Delivery Plan

It is anticipated that this will set out the actions which are required of industry and the public agencies in areas such as inward investment, quality and product improvement and marketing. In so doing it is likely to recommend a much more joined up approach than currently exists.

VisitScotland and the Enterprise Agencies already align and collaborate in many ways. Together, they share a common understanding of market opportunities and the brand strengths of Scotland. They have jointly delivered 'Destination Development Guide and Toolkit,' 'Customer Feedback - Listening to Our Visitors' and Tourism Intelligence Scotland initiatives described above. Other examples include joint work on support for Destination organisations, Food and Drink tourism, (especially on the current Year of Food and Drink focus), Golf, and sailing.

A significant new example of joint working is the “Team Scotland” approach in Canada, which recognises the need to develop an innovative, integrated approach to the promotion of Scotland. As such, the newly formed multi-agency ‘Team Scotland in Canada’ has SDI, VisitScotland and Government as key partners working closely together to implement and cost-effectively address Scotland’s strategic objectives in Canada.

VisitScotland, the Enterprise Agencies and Scottish Development International also worked to produce a draft national tourism investment plan which is covered in 241 below.

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Para 236: We do not believe that further... Not agreed. The Government sees no need for... Historic Scotland (HS) continues to expand its
legislative changes are required nor should there be a repeal of the recently enacted legislative reforms of VisitScotland. A period of stability is what is required for this body. **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.**

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 collaboration working with other tourism businesses and public sector agencies. HS supported the 2009 Year of Homecoming through a number of partnership initiatives. HS worked with NTS and HHA under the Heritage Properties Group (HPG) to deliver a Homecoming Pass for the travel trade. The joint admissions pass offered entry to over 130 HS, NTS and HHA properties throughout Scotland. This was marketed to global travel trade contacts through the Expedia, VisitScotland.com and VisitBritain.com travel websites. The pass generated sales of over 10,000, income of £342,000, and 50,000 visits and was welcomed by the trade as an innovative new product in the marketplace. As a result of its success it has been relaunched this year as Scotland’s Heritage Pass with a 3 year business and development plan.

Working with EventScotland, HS also delivered a Family Trails leaflet, highlighting 15 Scottish family names, and a programme of over 100 related events. HS also worked with National Libraries of Scotland’s (NLS) map library to create an online resource for people with Scots ancestry.

HS’s Sales Team takes the lead in co-ordinating the Scotland’s Heritage aisle at EXPO (VisitScotland’s annual trade fair), with 16 stands, 14 partners and a waiting list of potential partners. This pulls together the key heritage attractions in one area of the hall, creating an impact and a one stop shop for potential buyers. (i.e. travel agents).

HS attended over 10 sales trips with VisitScotland and other tourism partners, both
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.

Here in the UK and overseas, supporting the development of new markets in Russia, India, China and Australasia as well as Scotland’s traditional overseas markets. HS strengthened its partnership with Visit Scotland by introducing a quarterly meeting to ensure we are maximising all partnership opportunities. HS is also an active member and funding partner in the Castle and Whisky Trail leaflet groups.

Their work with local communities included the introduction in 2009 of site specific promotional offers and free days to tie in with local community events. HS also introduced a new joint ticket for Threave Castle and Threave Gardens with NTS.

HS continues to be a member or attend over 40 tourism, travel, marketing and destination management organisations.

VisitScotland is also working with other stakeholders to develop Scotland’s offering in ancestral tourism, which has links to heritage and diaspora policies.

| Para 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 | As originally set out in the Government's response, 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 the tourism strategy. However all the public bodies have worked together to review these groupings and have created a more streamlined delivery of tourism functions. Pride and Passion, Sustainable Tourism Partnership and Tourism Innovation Group have ceased to operate. Some of their resources, for example newsletters, and learnings can be taken forward by Tourism |
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.

Intelligence Scotland, Scottish Tourism Forum or the Tourism Leadership Group.

In the HIE area business support tools such as Hospitality Assured have been widely used to drive growth with over 200 companies and is still considered a valuable diagnostic and growth framework for companies.

Scotland Food & Drink are working very closely with the tourism sector and with a range of agencies helping bring more collaboration across sectors.

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<th>Para 238: <strong>As a quid pro quo for 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.</strong></th>
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<td>This is a matter for the tourism industry and the Government understands that the Scottish Tourism Forum is currently working to bring about greater industry leadership within the tourism sector.</td>
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<td>The Scottish Tourism Forum (STF) Board recognises that it is the only national tourism membership organisation that brings together the full spectrum of industry; its members include membership organisations, associations, groups and individual. The new Tourism Leadership Group (which was brought together by STF), under the Chairmanship of Stephen Leckie of Crieff Hydro, is the single source of strategic leadership for the tourism industry in Scotland. The close working relationship between the Tourism Leadership Group and the Scottish Tourism Forum ensures that each is clear in its remit and responsibility. Both work to ensure that the industry benefits from both a strong strategic industry leadership group integrated with the well established and recognised national industry trade body. Membership of the Leadership Group is intended to ensure that there are strong</td>
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Para 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 itself 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._

_A national Tourism Investment Plan has been prepared by the key public agencies involved in Tourism which sets out the tourism related investment needs and opportunities which will support future sector growth. These are set out around transport, accommodation, attractions and activities, conference and events infrastructure, Scotland’s national parks, the built environment and food and drink and were developed both in response to the current and future demands and expectations of Scotland’s customer base, and also to ensure that Scotland maximises its substantial tourism assets._

_This document has been shared with the Tourism Leadership Group._

_The Plan has also acted as the basis on which the agencies have progressed investment activity. SE, in support of its priorities in destination and product development has made, is making significant investment contributions to a number of projects including the development of the new arena at the SECC in Glasgow, the provision of new stands for the Royal Edinburgh Military Tattoo, the development of the new Forestry Commission Scotland visitor centre at Glentress and the construction of new pier infrastructure to support the development sailing on the west coast. Such investments are complemented by work with industry groups to enhance the quality of the wider tourism experience which in many cases will also generate further private sector investment._
The important role of tourism related inward investment featured prominently within the investment Plan and SDI through the delivery of its Tourism Inward Investment Strategy dedicates substantial resources to this area of opportunity.

SDI, SE and HIE along with key Local Authority partners are active in identifying and promoting potential sites which can deliver credible hotel/resort/marina opportunities for the global, branded hotel/resort operator community supported by an industry standard SWOT analysis processes developed by SDI alongside experienced hospitality consultants.

At the same time, a key area for SDI’s attention continues to be the cementing of relationships with the global, branded hotel/resort operator communities who have a fit with Scotland’s aspirations as a high quality destination for incoming, higher-spending tourists. It is this operator interest based on their market segmentation which is matched with the site-specific opportunities mentioned above. Substantial resources are also allocated by SDI towards deepening engagement with the UK / Scottish hotel and resort development community who can deliver turnkey projects on behalf of the major hotel/resort brands.

SDI is now concentrating on sourcing international finance for hotel and resort development given the partial withdrawal of the major banks from the provision of development finance in this area. The situation has also been exacerbated by the move by major, branded hotel/resort operators, who nonetheless remain
the key component of all investment projects, away from owning/leasing property toward a position of managing developments by means of Management Contracts on behalf of owners/developers. This SDI activity directly addresses the main economic challenges faced by the industry over the foreseeable future in an extremely competitive marketplace which has moved to lower risk investments such as distressed assets, and tourism developments in the key gateway capital cities.

Partnership plays a particularly important role in the attraction and delivery of inward investment projects. The timescales for completion of a new hotel/resort development project are likely to be in the order of three to five years. As a fundamental stepping stone, planning permission needs to be in place before a package involving hotel operators, developers and financiers can be assembled. All of the public sector agencies involved are now working more closely to deliver against the above shared targets.

Facilitation of partnerships on specific projects and relationships between the key private and public sector organisations continues to be a major role for SDI in its hotel and resort development activity, as the successful delivery of SDI’s Tourism Investment strategy is highly dependent on collective ownership, commitment and partnership around the major investment requirements and opportunities which can support industry growth.

The private sector role, both in supporting SDI’s tourism investment strategy and in making direct investment cannot be underestimated. There is
Para 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 investment plan (see paragraph 87).**

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<td>Agreed.</td>
<td>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 Bank for Tourism Development. VisitScotland is also looking at the arrangements in Switzerland and will report to the Government in due course.</td>
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Joint work undertaken by SE, HIE, SDI and VS examined the workings of the Austrian and Swiss tourism investment banks and considered the nature and scale of the investment issues being faced by tourism businesses within Scotland. Whilst the review concluded that the Austrian and Swiss banks was not replicable within Scotland, a number of recommendations were made as to how the sector could be better supported to access investment funding.

The main action is the approach currently being developed by SE which will provide access to SE company growth products and services to a wider group of companies who are particularly important to the delivery of growth within the key sectors set within the Government Economic Strategy. This approach offers the potential for a greater number of tourism companies to access products such as Investor Readiness where this can support a business’ growth ambitions.

SDI is also playing an important role in relation attracting investment funding to Scotland in support of tourism development. SDI has appointed specialist consultants to support Scottish hotel developers with the preparation of a short, concise, market ready investment brief to attract further external investment into their hotel development projects.

Additionally, SDI is currently working through a programme of investment discussions with an identified portfolio of Hotel Investment Funds in
the East Coast USA, Germany/Switzerland/Austria, the Middle East, Hong Kong, Malaysia and Singapore, to better understand their investment requirements and the type of tourism property deals in Scotland which could attract their investment interest. The aim of the exercise is to match targeted international investors with appropriate projects from the portfolio of nascent Scottish Hotel/Resort and Tourism real estate projects with which SDI is engaged.

More locally, the SE and SDI are examining the scheme guidelines to ascertain to which extent RSA can be used for Tourism Investment Projects. Examples of the use of RSA for accommodation projects elsewhere in the UK are being examined, and consideration is being given to the further development of guidelines which would allow RSA to be used in an area which has traditionally not been eligible for this type of funding.

Para 243: We recommend that the Scottish Government, with the Scottish Funding Council and through Futureskills Scotland, look at this issue 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.

The Scottish Government sees an efficient, outcome-focused planning service as being essential to the delivery of investment in good quality developments in Scotland. To that end, we are carrying out a wide programme of work to ensure the planning service is properly resourced and skilled, and priority given to actions that will enable a well-functioning planning system. Specifically the Government has:

- published the consultation paper “Resourcing a High Quality Planning System”, which explores the factors and actions which influence and comprise a high-performing planning service. The consultation also discusses some options for
changing the structure for calculating fees to planning authorities to accompany planning applications, so that authorities can be more effectively resourced and focused on the quality of the service they provide.

- issued an establishment survey to all planning authorities and other public sector planning stakeholders, including the Scottish Government itself. This survey will clarify the current make-up of the public sector's planning workforce, including information on the numbers of qualified and unqualified planning staff and details of their duties, particularly the proportion of staff engaged in development planning and development management roles. The survey also seeks information about staff recruitment and retention over the last 2 years, along with details about skills training undertaken and actions to tackle remaining skills gaps.

- We have continued to provide funding to the local government Improvement Service, to support training and development for local authority staff and members with planning responsibilities. The current grant period for the PDP finishes at the end of March 2011. Discussions are currently underway with the IS and COSLA on the future of the programme.

- Over 70 people had attended a programme of 2 day placements that have been running for over a year, for planning stakeholders to come to the Government’s Directorate for the Built Environment. We have also facilitated a pilot scheme of staff
Para 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.

In response to the Committee’s recommendations, the Minister for Schools and Skills established a short-life task Group in November 2008 to consider the Committee’s concerns on tourism skills. Following the report of the Skills Task Group (in 2009) a Tourism Skills Action Plan was prepared by an industry-led group and underwent wide consultation within the industry and with education providers.

In October 2010 the Scottish Government published a refreshed Skills Strategy. This sets out a flexible, responsive, partnership approach to addressing Scotland’s skills needs and improving economic performance across all sectors. Simplifying the skills system and ensuring the provision of skills matches the needs of employers are priority themes.

The Scottish Tourism Forum and People 1st have been working in partnership with the Institute of Hospitality, VisitScotland, SDS, Springboard and Hospitality Industry Trust Scotland, to form a new industry led National Skills Group to act as the authoritative industry voice on the current and future skills needs of the tourism sector. Working under the banner of the Tourism Framework for Change Strategy they published their skills strategy in March 2010. The five-year strategy, which is supported by the Scottish Government, focuses on development to encourage other cross sector work placements. In 2010 we also run a 4 day course which we provided for 30 recent planning graduates to bridge any gap between education and practice. DBE sit on the RTPIs Planning Education Forum and will discuss with them and other members ways to support planning graduates further.
increasing the number of young people and job seekers into the industry, increasing the uptake and profile of Modern Apprenticeships in the sector, and raising the skills levels of those entering and working within the sector. The plan also focuses on improving and simplifying employer access to up-to-date information on qualifications and skills provision for the sector.

On behalf of the Skills Group, SDS has commissioned research to undertake a literature review of research relating to skills, identify gaps in information, and help develop a performance monitoring framework for the skills strategy.

SDS is continuing to develop a new Sector Skills Gateway resource. A pilot Gateway has been delivered for the finance sector and SDS is consulting with each of the key sectors around what is most appropriate for them. SDS is also developing an on-line resource for individuals called My Learning Space which will have a distinct section focusing on the tourism sector and signposting individuals to other organisations where appropriate. In addition, the UK Skills Passport (UKSP) by People 1st provides a guide to the various career-paths in the industry as well as details of companies recognised as Good Employers.

People 1st, the sector skills council for hospitality, leisure, travel and tourism, is working closely with employers, awarding bodies, learning providers and education to ensure that provision is industry led and that opportunities for industry investment in learning are explored. Consultation on national occupational standards for all jobs across the sector has been ongoing to ensure the basis of qualifications and
programmes is fit for purpose. Work with the professional associations, including the Federation of Scottish Chefs and the UK Housekeepers Association, is also underway to establish industry approved 'pathways'. The People 1st UK Skills Passport website demonstrates these pathways and links the skill sets in each and every job role to business tools for development. It offers training suggestions, qualification and provider guides and support for in-house training.

SDS continues to organise events with Scotland’s Colleges to raise the profile of industry needs and to encourage closer links with the industry.

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

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 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.

In 2009, Scottish Enterprise and the Scottish Government funded a feasibility study to help define the ambition put forward by leading industry figures to establish an industry-led Tourism and Hospitality School for Scotland. The original focus of this plan had been for a Hotel school (as suggested in the EET Inquiry report). The industry working group agreed that what is needed is a programme offering the very best in leadership development, thereby creating a cadre of leaders for the industry who will in turn create new businesses and move existing businesses to new levels of productivity, innovation, sustainability and profit. The group has since then been developing this plan which is reaching fruition. The Scottish Funding Council has agreed a funding application from Strathclyde Business School, the primary industry academic partner for this activity. Course materials from the international academic partners have been finalised and approved by the accrediting body. Collateral to launch and take the product to market are in
The Masters course, which will accommodate up to 25 students, has a target start date of late 2011. More details will be available shortly.

North Highland College completed, in September 2009, conversion of the former Burghfield House Hotel, Dornoch, into the North Highland Centre for Hospitality and Tourism. The Centre is run as a fully operational training hotel.

People 1st are working with several employers and professional associations on Academy style models of delivery. These are currently based on National programmes such as the Modern Apprenticeship but have embraced other commercial aspects for example Montpeliers ‘FLOW’ programmes and the Tennants Training Academy. People 1st will continue to offer support with development and technical aspects such as credit rating and mapping.

Para 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.

Agreed. The Scottish Government recognises the important role of career advisors. Skills Development Scotland will work with the tourism industry to see how best it can be supported by careers advice. SDS Careers is working with various bodies to gather and disseminate labour market information to staff and teachers via the Careers Scotland website. On behalf of the Scottish Government, SDS manages the teacher placement programme and has developed industry placements for teachers in tourism/hospitality e.g. 27 teachers in tourism/hospitality placed in 2007-2008 including The Scottish Government recognises that the pursuit of sustainable economic growth demands that we encourage and support individuals to access learning and employment in a manner that is right for them, including giving more intensive support to those who need most help.

The Scottish Government will publish a Career Industry Advice and Guidance Strategy in winter 2010/2011. The overarching aim of the Career Information, Advice and Guidance (IAG) strategy is to drive the redesign and improvement of
in various major hotels and restaurants and resort centres. In schools, SDS Careers work proactively with teachers and young people providing expert career information, advice and guidance in specific career paths as requested, including running Jobs Fairs thus supporting the delivery of A Curriculum for Excellence.

The Scottish Government recognises the importance of workplace learning and the unions have a key role to play in developing this which is why we have allocated record levels of funding to support Scottish Union Learning.

Career IAG delivered primarily – but not exclusively – by SDS. Whilst re-asserting the Government’s commitment to the provision of universal careers services, it will place an emphasis on self-help - through developing the career management skills of individuals and web-based delivery, with face-to-face and more intensive support for those who need it most.

For effective career IAG delivery, it is important that practitioners have access to appropriate continuous professional development. Career practitioners will need to develop a greater knowledge and broader understanding of the many successful and growing, existing and emerging sectors in the Scottish economy, with new ways of working and technological advancements as well as with different and more flexible training and qualifications options.

In order to support the wide variety of staff involved, in different ways, in the provision of Career IAG, such as teachers, training providers, youth work practitioners and social workers etc, partners should consider opportunities for joint CPD and sharing of experience and expertise across learning environments and support structures.

SDS has run a number of sessions for Careers Advisers and Skills Investment Advisers across Scotland updating them on opportunities within the sector and the key skills issues and gaps. On 8 February 2011, SDS is also delivering an event for key influencers (including teachers, careers staff, Jobcentre Plus staff) in Glasgow in partnership with Glasgow Service with Style.

SDS and Scotland’s Colleges held a joint
consultation event in June 2010 with over 24 colleges represented and People 1st held a similar event with work-based providers. The outcomes were a series of actions to be taken forward under the themes of the skills strategy. Members of the National Skills Group have since met with Scotland's Colleges to explore the key actions that the FE sector can take forward to support the implementation of the skills strategy.

Springboard is taking action to deliver the “improving appeal of the sector” theme and arranges many placements for teachers into hospitality businesses to help ensure they understand what the sector can provide.

The industry in conjunction with STF is looking to initiate activity at all levels to demonstrate the exciting career choices the sector has to offer. These will include a series of industry days for careers advisors, schools, students and additionally ‘open doors days’ for general public to experience life inside the industry. These are due to commence during Scottish Tourism Week in 2011 and will be part of an on going campaign over the next year.

People 1st’s UK Skills Passport website offers extensive information on careers and jobs within the sector and is to be re-launched in March 2011 with additional capabilities such as Training Needs Assessment and skills sets. Working with SCQF and the professional associations, skills pathways have been developed for professional cookery and housekeeping which will link the information on job roles, individual characteristics, skillsets, qualifications, providers etc.
Para 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 comparable sectors such as retail.

Agreed. The Government supports moves by the Scottish Tourism Forum and the wider industry sector to highlight the benefits that examples of good practice in employment can bring. Groups such as Pride and Passion, which work closely with the industry, and are industry-led, are working to communicate the best ways for businesses by means of role models and mentoring to encourage businesses to treat their staff well and encourage exemplar customer relations. Other important groups with a role in this issue are Springboard Scotland and the Hospitality Industry Trust.

SDS and People 1st have delivered a range of sessions promoting workforce development to small employers and in particular promoting the Flexible Training Opportunities fund, delivered by SDS, to the sector (more detail offered under para 251 on the scheme). SDS has also delivered similar information sessions to tourism employer groups across the country.

Scottish Tourism Forum has informed the Government that it continues in its role of raising awareness of the commercial benefits of ethical HR practices leading to increasing commercial viability meeting the ever increasing demands from the consumer. It is clear businesses with a real commitment to staff development can demonstrate increasing levels of support for their offer in any user generated feedback sites such as TripAdvisor providing long term sustainability for the business.

Through Open Meetings & Scottish Tourism Week held by STF and through regular industry communications reaching directly to its membership, reaching over 19,000 contacts the direct commercial importance of clear leadership over good HR and staff development practise are vital for future success across Scotland as a destination.

People 1st investigated skills utilisation through the ‘Working with Attitude’ project in 2010 and as part of this conducted over 70 interviews with Housekeepers. This work is being further taken forward in 2011 with the emphasis on better HR practices supported by tools within UK Skills Passport.

Para 251: Finally, we recommend that the Scottish Government reconsiders the provision of adult modern apprenticeships in hospitality.

Agreed. The Government has asked Skills Development Scotland (SDS) to develop and deliver real change in Scotland’s skills.

Modern Apprenticeships for hospitality and tourism have increased in recent years as additional funding has been provided.
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.

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.

Total numbers are:
2007-08  1472
2008-09  511
2009-10  1653
2010-11  2465 (allocated) 1,181 uptake to end Sept.

The “Flexible Training Opportunities” programme is for businesses with 150 employees or fewer and provides up to £500 per employee towards training costs for up to 10 training episodes per business, including the tourism sector. The fund continues to be delivered and marketed to businesses resulting in increased take-up within the sector. The programme has also been marketed through People 1st, Visit Scotland, Scottish Tourism Forum, Chambers of Commerce, Federation of Small Businesses, and other industry professional bodies.

The Scottish Government provides funding for adult apprenticeships in key sectors (as identified in the Government Economic Strategy) including Food and Drink and Tourism

Para 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

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

VisitScotland operates over 100 VisitScotland Information Centres (VIC) across Scotland. Following consultation and research as part of an overall review of the network, VisitScotland is continuing its programme of VIC modernisation. VICs at Fort William and St Andrews have
events, attractions and tourist opportunities from all parts of Scotland.

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.

undergone major modernisation, VisitScotland has also worked in partnership with the Cairngorm National Park Authority to upgrade three VICs in the Park - Aviemore, Braemar and Ballater. They hope to carry out similar work to the two remaining VICs in the Park shortly - Grantown-on-Spey and Crathie, which is a Partnership Information Point.

A number of other VICs have been refurbished to a lesser extent. Feedback from customer surveys are already indicating that this programme is successful with comments that new centres are clearly signed, provide a warm welcome and that information is easy to find - these were all previously criticisms of the network. There is also high usage of the free internet terminals now being installed at VICs centres as part of the refurbishment - this is in response to visitor requests that a mix of technology and people be available.

VisitScotland continues to work with local businesses and has increased the number of partnership VICs to 26. Many of these partnerships have meant that towns across Scotland have retained a VIC despite funding from the local authority being withdrawn.

With the integration of the Area Tourist Boards, the VisitScotland Information Centres are now all equipped to deal with enquiries about the whole of Scotland. VisitScotland research has shown which VICs tend to have requests for information about other parts of Scotland and these VICs are particularly well stocked with information about all of Scotland but every VIC can respond to enquiries.

Para 254: With respect to VisitScotland.com, Agreed in part. Visitscotland.com has been a VisitScotland has embarked on a new four year
we believe that the current business model is patently 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.

success, bringing £65M and over half a million bookings to tourism businesses since it started. Recent changes show that visitscotland.com has 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.

Digital and Media strategy. The development of the VisitScotland.com website is an integral part of this strategy. The Strategy has been reviewed and approved by the VisitScotland board and its industry steering group which has representation from online booking providers, major hotel groups, ASVA (Association of Scottish Visitor Attractions) and Scotland’s Best Bed & Breakfasts Group who represent over one hundred 5 star bed and breakfasts in Scotland. This approved direction for digital and media activity will result in a world class tourism website with rich up-to-date content. The site will feature a centralised database for Scotland, providing consumers with a single digital gateway enabling them to experience all Scotland has to offer, i.e. the website will move from being an accommodation site to a site rich with information on all of Scotland’s products.

The site will also allow us to build trust with Scottish businesses through accurate reporting, simple and effective extranet systems and a digital platform that presents their products and services to visitors in the most effective way. For Scottish businesses it will mean a core relational database allowing easy updates to their information, including photos, offers and other digital channels via an extranet system.

VisitScotland is working with industry groups and key stakeholders to ensure that an effective accommodation system is developed as an integral part of the promotion of Scotland.

Para 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

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

The independent evaluation of Homecoming 2009 concluded that more than 95,000 additional visitors were influenced to travel to Scotland, exceeding its target by generating £53.7m in additional tourism revenue for Scotland in what was a difficult year for global
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.

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

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

| 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 |

Building on the success of Homecoming 2009, the Scottish Government has adopted an approach that will see a series of Focus Years running from 2010 to 2013 that will ensure co-ordinated national activity that will spotlight some of Scotland’s great assets as we journey towards 2014. The four Focus Years are centred on domestic and international tourism and the development of the events industry in Scotland and will celebrate our reputation as a land of food and drink (2010/11), as an active nation (2011), as a place of culture and creativity (2012) and as a place of natural beauty (2013).

During the Year of Food and Drink, EventScotland has worked with the events industry to raise the profile of Scotland as a land of food and drink, improve the quality of the food and drink offering at events and increase joint working between the events and food and drink industries. EventScotland supported and funded many events across Scotland. VisitScotland’s UK and International Marketing activity featuring food & drink has reached around 24 million people, with estimated value of £1.3m.

UK and International PR has achieved coverage of food & drink articles to a value of £10.4m with a circulation of 170 million.

With the launch of the Year of Active Scotland, VisitScotland launched a new Active Scotland Growth Fund to help DMOs and the adventure sector get involved in Active Scotland by providing funding for marketing projects on the active theme. There is a fund of £150,000 which will be available to successful groups of tourism.
Para 259: **Additionally, we recommend that EventScotland revisit the issue of monitoring and evaluation and finalise, in conjunction with VisitScotland, a standard, national monitoring model for the evaluation of events. This model should focus on the quantitative impact of events.**

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

The "Eventimpacts" toolkit has been developed and published jointly by EventScotland, UK Sport, VisitBritain, the London Development Agency, North West Development Agency, Yorkshire Forward and Glasgow City Marketing Bureau. It comprises key guidance and good practice principles for evaluating the social, economic, environmental and media-related impacts associated with staging major sporting and cultural events.

Para 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.**

**Not agreed.** The Scottish Government has established a Games Legacy Team to coordinate 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 and includes close liaison with organisations in Vancouver, Delhi and London to ensure that lessons are learnt from their experiences and Scotland can maximise the benefits and legacy from the Games.

Preparations continue for the 2012 and 2014 Games and includes close liaison with organisations in Vancouver, Delhi and London to ensure that lessons are learnt from their experiences and Scotland can maximise the benefits and legacy from the Games.

VisitScotland is working closely with VisitBritain to maximise the exposure of Scotland in the media in 2012 and will run tactical marketing campaigns before and during the event. Experience gained and material put together
Games). That level of engagement is sufficient to take forward our general Games legacy coordination work and there are no specific plans for long-term secondments of staff to the London 2012 Games. (e.g. High Definition footage) will be employed to maximise the tourism legacy from 2014.

Para 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.

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. 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.

Scottish Enterprise (SE) continues to support the development of tourism in the six main tourism destinations in its area. This is focused on improving the quality of the visitor experience and includes support for the development of effective local industry / public sector partnerships, innovation and product development, events, skills and quality initiatives and a limited number of key capital investment projects, such as the new SECC arena.

HIE continues to work with a range of destinations across the Highlands & Islands. Our focus is on destination development – a package of investment, advice, facilitation and leadership designed to grow the tourism economy. This approach is critical to improving levels of collaboration, innovation and industry leadership across the region.

VisitScotland is working closely with a number of DMOs and has very recently announced a three year partnership arrangement with Cairngorms Business Partnership (CBP). The new arrangement will see VisitScotland working with the CBP to develop a three year business plan and a three year marketing plan. The CBP will also be used to pilot digital and media initiatives and VisitScotland will work closely with the CBP to identify funding opportunities through, for example, the Active Growth Fund. VisitScotland is also working on an outreach programme of events including a roadshow for the Chairman and Chief Executive, regional showcases and
community events.

The tourism agencies and the Scottish Government have worked together to clarify how each supports working with destinations, and this collaborative approach has extended to involving local authorities and the SLAED tourism sub-group. A joint Destination Development workshop was held in May 2010 to further align activities.

Following the Workshop, an agreed guidance note is now in place which sets out how VS and the Enterprise Agencies are working with destination based organisations. This approach will be reviewed on a regular basis to ensure that there is a clear rationale for intervention by the key agencies.

A simplified version of the Destination Development Guide is currently being finalised by SE, VS and HIE for use on the Tourism Intelligence Scotland website. Through five logical steps that distil a range of best practice, this new online guide will enable destination-based groups to better achieve their key aims and objectives.

There is representation from key DMOs on the Tourism Leadership Group and DMOs have been and will continue to be involved in consultations on the strategy refresh and its delivery. The TLG have recognised that for a ‘Think National, Act Local’ tourism strategy to work most effectively will require a greater priority to be given to the work of the DMOs.

Para 268: We recommend that the Scottish Work to implement the National Transport
Governments give improvements in this area a high priority as part of its efforts to grow the economy and improve our GDP.

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

Strategy continues, with a focus in the current financial climate on delivering the recommendations of the Strategic Transport Projects Review.

Despite the challenging economic environment for the aviation sector, the Scottish Government has continued to push for new direct routes for Scotland. We are particularly keen to secure new direct routes to the Middle East and the Far East and have had positive discussions with a number of the main carriers in the past 6 months providing them with detailed analysis of the opportunities that Scotland provides.

We are also keen to see new direct routes to North America and will be speaking to a number of the main carriers during 2011. Our current strategy is to keep Scotland at the forefront of the thoughts of airlines so that as the economic recovery gathers pace, Scotland will be placed at the front of the secondary airport queue.

Improvements to rail services have been implemented since 2008 improving frequency of service in specific areas and enhancing connectivity within Scotland.

- Including new and improved rail services on Edinburgh, Fife, and Dundee and Aberdeen introduced in December 2008 to improve journey time between major cities of Aberdeen and Edinburgh as well as to enhanced links for local stations.

- Improved connections within Scotland with the Kyle of Lochalsh route and improved services on the line.
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.

- Opening of Laurencekirk station in May 2009.
- All rail services terminating at Ardrossan Town were extended to Ardrossan Harbour in May 2009 to provide robust sailing connections.
- Improved connection at Carlisle from the London Euston service to the last local services of the day from Carlisle to Dumfries.
- From December 2009, new semi fast hourly service between Glasgow Central and Edinburgh serving Bellshill, Shotts, West Calder and Livingston South.
- Also from December 2009 new improved frequency of 2 trains per hour between Glasgow Central and Kilmarnock.
- Also from December 2009 new early morning services to enable earlier access to Scottish cities and earlier connections to services for London.
- Commencement of Airdrie-Bathgate services in December 2010 with an introductory timetable. Intention is to enhance services as more of the new Class 380 trains, funded by the Scottish Government, are able to be accepted for operation on Ayrshire and Inverclyde routes, allowing the Class 334 trains currently used on these routes to be released for use on the Airdrie-Bathgate line.
- ScotRail piloted a new direct Sunday service between Edinburgh and Oban for six Sundays in the summer of 2010. ScotRail intend to extend
this to offer to 10 consecutive weeks in summer 2011 (subject to confirmation from Network Rail that it can include the trains in the timetable). ScotRail will add a stop at Falkirk High to extend the offer further. Summer 2010 was target marketed only whereas for Summer 2011 ScotRail will market fully and tickets will be available from all retail channels.

- the Stranraer timetable revisions from December 2011 have been finalised with the focus to improve rail provision in the area to meet local needs given Stena’s planned move from Stranraer to Old House Point on Loch Ryan.

Following the purchase of Norfolkline by DFDS the company took the view that it could not sustain the ongoing losses being generated by the Rosyth to Zeebrugge route. This loss was mainly attributed to the passenger element of the service (due in part to the inflexible configuration of the vessel). They announced that from December 2010 the route would no longer carry passengers but would continue as an enhanced 2 vessel freight service. Although disappointed at the loss of passengers, Ministers welcomed the enhancement of the freight element. In addition, whilst noting that this was a commercial decision by DFDS, Ministers have pressed the company to keep the position under review with a view to seeing the return of a passenger service at some point in the future. DFDS have publicly confirmed that they will do so, but any service would have to be commercially viable. The steering group and freight sub group continue to meet and is working closely with the company.
Para 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.

VisitScotland continues to work in partnership with transport carriers to encourage new routes to Scotland and to maintain existing routes.

Current partnerships include:
- easyJet
- Ryanair
- Continental
- Canadian Affair
- Emirates
- Scotrail
- East Coast
- Flybe
- DFDS Seaways
- Jet2
- Lufthansa
- US Airways
- Iceland Air
- P&O Ferries

VisitScotland’s joint marketing activity is designed to maximise the impact that a route can give in boosting tourism, with the following three main criteria:

- Scope of market opportunity: current size of market and growth potential, plus fit with our product portfolio;
- Scope of the service to drive up volume of inbound traffic: number of seats and % inbound; attractiveness of fare structure; and
- Opportunity to make an impact in the market: current VisitScotland base of activity; active promotional investment of carrier.

The partnership activity with airlines on existing or new routes includes:
Para 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.

The Scottish Government is committed to ensuring remote and fragile communities have direct links to the greater Scottish economy.

The Scottish Government began in 2008 a comprehensive wide ranging review of all aspects of ferry services in Scotland. The review is being undertaken to ensure there is a long-term ferry strategy to 2022 and beyond and includes all ferry services funded by the Scottish Government, Argyll & Bute Council, Highland Council, Orkney Islands Council, Shetland Islands Council and private operators. 600 written responses were received from organisations and individuals in respect of the 2010 public consultation. Consultation responses, along with other evidence available will be used to inform the draft Ferries Plan, which along with a Strategic Environmental Assessment will be subject to a further period of consultation. Thereafter a final Ferries Plan will be prepared and published. Timings for the draft Ferries Plan and Final Ferries Plan have still to be agreed. The Ferries Plan will ultimately make recommendations regarding:

- Where investment should be focussed to make connections for island and remote rural communities better.
- Improving reliability and journey times.
- Seeking to maximise the opportunities for employment, business, leisure and
In response to concerns about the affordability of ferry travel and the impact that has on island economies the Scottish Government is carrying out a study into Road Equivalent Tariff (RET). The Government believe that RET is a good way to deliver cheaper fares for islanders, tourists and businesses. The pilot exercise, which seeks to establish the benefits of RET, commenced on 19 October 2008. It will run until spring 2012 (including the pilot extension announced on 31 Aug 2010) on all the Western Isles to mainland routes, including Coll and Tiree. It is vital that we allow sufficient time for a robust evaluation of the impacts of RET to inform decisions on the possible future roll out of RET across the Clyde and Hebrides and Northern Isles networks. A decision on whether to roll out RET to other routes in Scotland will be taken later this year, once the final results of the pilot evaluation are available and have been considered by Ministers.

| Para 272: Finally, we recommend that the Scottish Government and relevant bodies organise 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. |
|---|---|---|
| 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 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 its implications. |
| In a previous update the Scottish Government indicated that it, quite reasonably, expects the tourism industry to take the lead on this. We said that we would seek the industry’s guidance as to when the market is right for these initiatives to be developed further. ScotRail has encompassed all its offers with attractions under its Kid’s Go Free product. ScotRail regularly markets the Kid’s Go Free product including with reference to the attractions that can be visited using rail. ScotRail’s Kid’s Go Free product offers up to two children aged between five and 15 free travel with each adult who purchases a Kids Go Free ticket. |
how best to take these issues forward. In light of this there are currently no plans for a summit of cultural and transport interests.

ticket. Travel is anytime at the weekend and on off-peak trains Monday to Friday and is not subject to availability. Customers can show the kid’s go free ticket and get a free child’s place with every full paying adult at the following attractions:

Scottish Maritime Museum, Irvine
Discovery Point – Dundee
Sensation – Dundee
Verdant Works - Dundee
Camera Obscura – Edinburgh
Edinburgh Zoo
Scotch Whisky Experience, Edinburgh
Edinburgh Dungeon
Glasgow Science Centre
Hampden Experience and Scottish Football Museum
Snolzone at Xscape,
Loch Ness Centre and Exhibition Experience
Highland Wildlife Park
Sea Life Loch Lomond Aquarium
Scottish Maritime Museum, Dumbarton
Scottish Seabird Centre, North Berwick
Deep Sea World, North Queensferry
Old Town Jail, Stirling
National Wallace Monument

There have been various other joint ticketing arrangements between transport operators and attractions over the years. Feedback from the industry indicates that joint ticketing can be a very big project for businesses to commit to for variable results.
Many visitor attraction providers work with transport providers on marketing.

Scotrail and some ferry companies offer a Rail and Sail ticket, which allows passengers to purchase one ticket for train and ferry journeys.

| Para 273: We recommend that a condition of receipt of the free software and training 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. | VisitScotland gathers statistical data on tourism from various sources including through business surveys (e.g. the ongoing accommodation occupancy survey and occasional specific surveys to investigate specific issues).

To assist and encourage tourism businesses to collect and use customer feedback information, a practical guide has been developed by SE, HIE and VS working closely with the industry. “Listening to Our Visitors” was launched in March 2009. Over 9,000 copies of the practical guide, have now been distributed through Tourism Intelligence Scotland.

Delivery of the workshop activity continues with three workshops delivered so far across the lowland Scotland area and a further 10 planned before the end of March 2011.

Tourism Intelligence Scotland (TIS), SE, HIE and VS are working with industry to improve the sharing of customer intelligence across the industry.

Building upon the current web and resource based activity, the TIS 'Business Engagement' activity is now well established and delivering a range of presentations and targeted intelligence sharing and gathering as we move from raising awareness of TIS the project into to a deeper engagement with businesses and influencers on the content of TIS. |
Para 274: Furthermore, the Committee wishes to see key data, such as the international passenger survey, record all the relevant international visitors to Scotland through all major ports of entry, specifically including Aberdeen airport

Aberdeen airport is now included within the International Passenger Survey and was included in the 2009 data.
11\textsuperscript{th} February

Dear Iain,

Please find attached an update of progress against the Committee’s recommendations coming out of the Trade and Investment Inquiry.

As I said in the debate in Parliament, international trade and investment is a fundamental part of the Government Economic Strategy and will remain critical as we continue on the path to economic recovery. It plays a key role in boosting both productivity and contributing to economic growth.

The Parliamentary debate on 19 January raised a number of good points and I have asked Scottish Development International to reflect on these along with the recommendations from your report.

Therefore, I have kept the update relatively short as I the know the Committee will be hearing evidence from Anne MacColl, Chief Executive of Scottish Development International on 2 March and a fuller discussion can take place at that time.

JIM MATHER
### EET Committee International Trade Inquiry – update to committee Spring 2011

<table>
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<th>Committee recommendation</th>
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<th>Updated SG response</th>
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<td><strong>252. Our central recommendation in relation to increasing international trade and exports is that SDI has to update its strategy, its business model and the services it offers so as to focus these on ensuring that Scotland achieves a step change in the number of Scottish companies that see exports and international trade as a route to future success. That should be the agency’s prime focus.</strong></td>
<td>Encouraging more Scottish companies to begin to export is of critical importance will continue to be a priority for Scottish Development International. The launch of Smart Exporter by Scottish Development International and Scottish Chambers International to support 8,000 companies over the next 3 years will very positively contribute to this. Also in the short term, increases in export performance are most likely to come from those SMEs who have already taken their first steps into overseas markets and need support to expand. This is of equal importance especially as we look to penetrate further into emerging fast growing markets which require a more sophisticated approach.</td>
<td>The SMART exporter scheme is now up and running and is to be extended to cover the Highlands and Islands area in the near future. This initiative will build the awareness and skills of companies. In particular it is targeted at SMEs new to exporting. This will significantly contribute to expanding the export base in the medium and long term. At the same time Scottish Development International is working closely with those companies with significant growth potential who, with assistance, can accelerate growth in overseas markets. This will deliver greater trade in the short to medium term. SDI is giving greater priority to the increasing opportunities for Scottish exporters in emerging markets. The recent ‘Doing Business in Asia’ event (Feb ’11), led by SDI in partnership with UK Trade and Investment (UKTI), is an example of how this is being progress. The one-day event was aimed at SMEs and focused on how companies can successfully address the perceived barriers which might prevent them from taking advantages of the vast opportunities for trade and development across Asia.</td>
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| **254. The Committee is concerned at the delay in appointing a new Chief Executive for SDI and we recommend that Ministers proceed to make a permanent appointment as soon as possible.** | This is a key post to which Ministers afford considerable priority and identifying the right candidate is crucial. Recruitment exercise is currently ongoing. | Chief Executive of Scottish Development International has now been appointed. Anne MacColl was appointed as interim Chief Executive on 30 August 2010 and was formally appointed on a permanent basis on 6 January 2011. |
257. Our central conclusion in this area is that whilst the current set-up provides companies and foreign governments with some valuable support, it does not go nearly far enough. Our main recommendation is that we need to build on the current network of 22 SDI and 3 Scottish Government offices by taking forward additional, low-cost options to establish a wider network of Scottish trade counsellors located in a greater number of countries around the world.

The need to ensure an adequate overseas presence in the main geographies which offer the best opportunities for Scotland is highly desirable, agree with the Committee’s recommendation that this should be a ‘maximum coverage for minimum overheads’ approach. Scottish Development International have been tasked with finding a way forward which tries to leverage more from existing assets such as SDI’s current overseas trade and investment offices and extended networks, while avoiding additional investment in facilities. This might include the possibility of more use of the Scotland House model, GlobalScots and the UKTI networks to house Scottish Development International trade and investment offices.

258. Similarly, we recommend that the new chief executive of SDI, when finally appointed, reports back to this Committee as soon as possible to indicate what specific steps s/he will take to achieve an extension to the current overseas network along the lines we set out above and in our report.

The new Chief Executive of Scottish Development International to consider the points raised in the Committee’s report to ensure that Scottish Development International is doing all it can to maximise Scotland’s trade and investment performance.

Chief Executive of Scottish Development International scheduled to report back to the Committee on 2 March 2011.

260. Looking more widely, we believe that there are far greater opportunities in how can market the Scottish education and training sector in

The education sector is a key asset for Scotland and Scottish Development International’s work with Universities and Colleges to help them

Education will remain a priority for Scottish Development International. SDI has a dedicated team who work with universities and colleges to
countries overseas, as well as benefit from the presence in Scotland during their studies of foreign students attending Scottish universities and colleges. **We recommend that SDI and the Scottish Government provides additional support for the marketing of Scottish education overseas, increases the co-ordination between the different bodies involved in this area and works alongside the individual university or college-led initiatives etc.**

succeed internationally will continue to be a priority for Scottish Development International.

maximise their international contribution and impact are focussed on institutions’ commercial activities. Support is provided to 20 higher Education Institutions and 43 Colleges of Further and Higher Education.

The announcement in October of the University of Strathclyde Business School opening an overseas campus near Delhi, in partnership with pioneering Indian infrastructure firm SKIL, highlights the global reputation of Scottish education and it's potential to export this excellence overseas

An increasing priority is being placed on commercialising research in partnership with the private sector including consultancy work, generating spin-outs and venturing schemes. They are significant international players, strengthening Scotland’s overseas reputation and generating new sources of revenue and economic activity.

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| 261. Finally, we have been frustrated during this inquiry, as we have during other inquiries, at the lack of up-to-date and comparable statistics which provide a clear picture, over the long-term, of Scotland’s actual and benchmarked performance in relation to exports and inward investment. **We recommend that this is addressed by the Scottish Government and others to provide policy-makers with better data on which to base decisions.** | This Government will continue to look at improvements to support this. | Scottish export statistics are extremely difficult to compile. National and international enterprises operating in Scotland produce a wide range of goods and services which are exported to destinations all over the world and within the UK as a whole. Companies often find it difficult to isolate and report on their Scottish-specific activities. There are no statutory instruments to make such a data collection mandatory.

The Scottish Government, however, produces a wide range of statistics relating to various aspects of Scottish exports.

With financial assistance from SDI, the Scottish |
Government conduct an annual Global Connections Survey which provides details of Scottish exports to the rest of the world and to the rest of the UK. This survey also provides a detailed analysis of export destinations of goods and services produced in Scotland as well as qualitative information about company’s trading experiences. Information from this survey feeds into the Scottish National Accounts and into one of the Scotland Performs’ National Indicators.

The Scottish Government also produces an up-to-date constant-price index of Scottish manufactured exports. The latest figures, relating to the third quarter of 2010, were published in January 2011.

Steps have been taken over the past two years to improve the quality of these surveys, and better information about the uses that can be made of these has been added to the SG website. Following a recent assessment of Scottish macro-economic statistics by the UK Statistics Authority, the scope of The Global Connections Survey has been recommended to be upgraded to National Statistics status.
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