

**BRITISH-IRISH
PARLIAMENTARY ASSEMBLY**

Forty-fifth Plenary Session

21 - 23 October 2012, Glasgow

MEMBERSHIP OF THE BRITISH-IRISH PARLIAMENTARY ASSEMBLY

STEERING COMMITTEE

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Mr Laurence ROBERTSON MP

Mr Joe McHUGH TD

Vice-Chairs

Mr Séamus KIRK TD

Rt Hon Paul MURPHY MP

Mr Pádraig MacLOCHLAINN TD

Mr Robert WALTER MP

MEMBERS IN ATTENDANCE

Oireachtas Members

Mr Joe McHUGH TD

Senator Paul BRADFORD (Associate)

Senator Terry BRENNAN (Associate)

Senator Paul COGHLAN

Mr Seán CONLAN TD

Mr Noel COONAN TD

Senator John CROWN

Senator Maurice CUMMINS

Mr Frank FEIGHAN TD

Senator Jimmy HARTE

Senator James HEFFERNAN

Senator Imelda HENRY

Mr Martin HEYDON TD

Senator Cáit KEANE

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Mr Mattie McGRATH TD

Senator Paschal MOONEY

Mr Patrick DONOVAN TD

Ms Ann PHELAN TD

Mr John Paul PHELAN TD

Mr Arthur SPRING TD

Senator Jim WALSH

British Members

Mr Laurence ROBERTSON MP

Mr Joe BENTON MP

Lord BEW

Baroness BLOOD MBE

Mr Oliver COLVILE MP

Mr Jim DOBBIN MP

Lord DUBS

Lord EMPEY OBE

Mr Paul FLYNN MP

Lord GERMAN OBE

Lord GORDON of Strathblane (Associate)

Mr Stephen LLOYD MP

Rt Hon Lord MAWHINNEY

Rt Hon Paul MURPHY MP

Mr John ROBERTSON MP

Lord ROGAN

Mr Chris RUANE MP

Mr Jim SHERIDAN MP

Lord SKELMERSDALE

Welsh Assembly Members

Mr David MELDING AM
 Ms Elin JONES AM (Associate)
 Mr William POWELL AM
 Mr Ken SKATES AM
 Mrs Joyce WATSON AM (Associate)

Scottish Parliament Members

Mr John SCOTT MSP
 Mr Willie COFFEY MSP
 Mr James DORNAN MSP (Associate)
 Mr Michael McMAHON MSP
 Ms Mary SCANLON MSP

Tynwald Member

The Hon Stephen RODAN SHK

Northern Ireland Assembly Members

Mr John McCALLISTER MLA
 Mr David McCLARTY MLA
 Mr Barry McELDUFF MLA
 Mr Jim WELLS MLA

States of Jersey Member

Connétable Daniel Joseph MURPHY

States of Guernsey Member

Deputy Roger PERROT

OTHERS ATTENDING AS GUEST SPEAKERS

Rt Hon Theresa Villiers MP, <i>Secretary of State for Northern Ireland</i>	Mr Iain McMillan CBE, <i>Director of CBI Scotland</i>
Mr Graham Smith, <i>General Secretary of the Scottish Trades Union Congress (STUC)</i>	Ms Ailish Forde, <i>Head of Industry Affairs and Alcohol Policy, Diageo Ireland</i>
Mr Riddell Graham, <i>Director of Partnerships, VisitScotland</i>	Ms Jane Richardson, <i>Corporate Relations Director, Diageo Scotland</i>
Professor Sir William McKay KCB, <i>Chairman of the Commission on the Consequences of Devolution for the House of Commons</i>	Mr Fergus Ewing MSP, <i>Minister for Energy, Enterprise and Tourism, Scottish Government</i>

OFFICIALS

Joint Clerks to the Assembly Dr Robin James, British Co-Clerk Ms Sinéad Quinn, Irish Co-Clerk	Clerks of the Devolved Institutions Mr Steven Bell Mr Robert Lloyd-Williams Mr Peter Hall Media Adviser to the Assembly Mr Ronan Farren
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COMMITTEE CLERKS TO THE ASSEMBLY

Committee A: Sovereign Matters Mr Frank Power Mr Marek Kubala	Committee B: European Affairs Ms Alison Groves Mr Frank Power
Committee C: Economic Ms Jullee Clarke Ms Judith Boyce	Committee D: Environmental and Social Mr Nicolas Besly Ms Jullee Clarke
British and Irish Secretariats Mrs Amanda Healy Miss Priscilla Hungerford Sir Michael Davies KCB Ms Jullee Clarke Miss Franca Ghelfi	Official Reporters Ms Ellie Chainey Mrs Glenice Hoffmann Mr Murdo MacLeod Mr Tony Minichiello Mrs Nicola Murphy Mr Simon Tierney

Monday 22 October 2012

The Assembly met at 9:35 am.

Introductory Remarks and Adoption of Draft Programme of Business

The Co-Chairman (Mr Laurence Robertson MP):

Good morning. The Co-Chairman Mr Joe McHugh TD and I welcome you to the 45th plenary session of the British-Irish Parliamentary Assembly (BIPA), which is now in public session. It is a great pleasure to be here in Glasgow for the first time.

I remind Members that the proceedings of the Assembly do not attract parliamentary privilege.

There are a number of new Members since the previous plenary session. They are Lord Empey from the UK Parliament, Deputy Roger Perrot from Guernsey and Connétable Daniel Murphy from Jersey.

I also have to inform the Assembly that, in accordance with rule 2A, the following associate Members have accepted the invitation of the Steering Committee to assume the powers and responsibilities of Members for the whole of the session. They are Senator Terry Brennan and Senator James Heffernan from Ireland, Lord German and Lord Gordon of Strathblane from the UK, Mr James Dornan MSP from Scotland and Ms Elin Jones AM and Mrs Joyce Watson AM from Wales.

I beg to move the adoption of the draft programme of business.

We had a tremendous session in May in Dublin, which will be a very hard act to follow. I am delighted to say that, because of a lot of work put in by a great number of people too numerous to mention, we are very hopeful that this will be a very enjoyable and informative session as we concentrate particularly on two themes: the Scottish economy and business and, of course, Irish-Scottish relations, as well as the overall British-Irish relations.

We are very grateful to the First Minister of Scotland, Mr Alex Salmond, for his letter of welcome, which has been included in Members' packs. We are sorry that he could not join us here today.

We are delighted that the new Secretary of State for Northern Ireland, Mrs Theresa Villiers MP, is with us and will address us very shortly.

I pay tribute to the former Secretary of State for Northern Ireland, Mr Owen Paterson MP, who has gone on to the Department for Environment, Food and Rural Affairs (DEFRA). I have to tell you that he came to my constituency a few days ago, and the security that he had in that role far outweighs the security that he had in his previous role. I think that it was something to do with badger trials or something like that. We are delighted that Mrs Villiers is here with us today. I thank her very much indeed for coming.

I am not going to go through the entire programme; we have that in our packs, and each session will be introduced as we get to it. I draw the Assembly's attention to one change in the programme: as was previously announced, the Scottish Minister for Energy, Enterprise and Tourism will speak at 12.00 noon — not 11.30 am — tomorrow. The Steering Committee, which met last night, therefore proposes that the progress reports from Committees C and D be moved from this afternoon and taken in the 11.30 am to 12.00 noon slot tomorrow, together with Government replies to previous Committee reports. The revised programme is available at the back of the room.

I beg to move the adoption of the programme.

Question put and agreed.

The Co-Chairman (Mr Laurence Robertson MP):

Thank you very much. I am delighted to now hand over to my Co-Chair, Joe McHugh.

Address by the Secretary of State for Northern Ireland

The Co-Chairman (Mr Joe McHugh TD):

Thank you, Co-Chair. It is my great pleasure to invite the new Secretary of State for Northern Ireland, Mrs Theresa Villiers MP, to make the first contribution of the day. I acknowledge the work programme that you, Co-Chair, have prepared, along with Robin and the British side. It is going to be a fairly packed agenda, and I look forward to it.

Without further ado, I welcome Theresa. It is an opportunity for you to set out your stall in relation to your new post. No doubt we will have an interactive session in which people will have questions to ask following it. Obviously, it being a political forum, there will be observations as well as questions. You are very welcome; we are absolutely delighted that you are here today. I know that you will be in Dublin on 7 November. I look forward to meeting you formally on a range of issues. I wish you the very best of luck in your new post. We look forward to your contribution today.
[Applause.]

Rt Hon Theresa Villiers MP (Secretary of State for Northern Ireland):

Thank you for that very warm welcome. I am delighted to be able to attend this Assembly for the first time.

I know how much this institution has done to foster closer relations between the UK and Ireland. I am also conscious of the crucial role that so many of you here today played in delivering the political stability that Northern Ireland enjoys today. It is thanks to the work of Members of this institution and so many others that I am able to talk to you this morning about a Northern Ireland that is looking forward to a confident future. I was glad to see that the BIPA model is now being emulated with the inaugural meeting last week of the North/South Inter-Parliamentary Association. I gather that some of you took part in that successful event.

Over the past week since David Cameron did me the great honour of appointing me as Secretary of State, I have really enjoyed getting out and about in Northern Ireland and meeting people, listening to their views and concerns, and finding out what really

matters to them. The introductory meetings that I have had across the political spectrum have given me invaluable insight into the challenges that we face. I look forward to building on those initial discussions and working closely with the Northern Ireland Executive in pursuit of our shared goals on political stability, security and the economy.

I start with the economy. From the outset, I have emphasised that helping to revive the Northern Ireland economy is an overriding priority for me as the new Secretary of State. I have also been emphasising that Northern Ireland has a huge amount going for it. Put simply, it is a great place to do business in. It has a highly skilled workforce. It has two world-class universities in Queen's and the University of Ulster. It has excellent transport connections, including a direct flight to the United States that the UK Government helped to save by devolving long-haul air passenger duty. It has excellent telecoms connectivity; Northern Ireland is the first region in Europe to have 100% broadband access. Belfast is due to become one of the UK's first 10 super-connected cities thanks to funding from the UK Government. Project Kelvin is delivering a 40GB per second transatlantic link between North America, Northern Ireland and western Europe.

So, it is not surprising that there has been real success in attracting inward investment from companies such as Citigroup and the New York Stock Exchange. Indeed, the *Financial Times* recently described Belfast as the top destination globally for investment in financial services, technology and R&D, and I pay tribute to Invest NI, UK Trade and Investment (UKTI) and the Northern Ireland Executive for the work that they have done on delivering those welcome boosts for jobs and investment.

As Secretary of State, I want to work closely with the Executive to see what more we can do together on inward investment. For example, very few countries in the world have such an extensive global network of diplomatic representation as the UK does. What is more, the Prime Minister and the Foreign Secretary have emphasised strongly that promoting UK business abroad should be a top priority for all our embassies.

UKTI and our network of embassies around the world are a hugely valuable asset, and it is important that Northern Ireland capitalises on that and maximises the

opportunities and support on offer from the UK's global diplomatic representation. Of course, I am sure that everyone here appreciates the distinctive challenges facing the Northern Ireland economy. We are overdependent on the public sector, and unemployment and economic inactivity are much too high, especially among young people.

There are some truly world-beating businesses in Northern Ireland, but we need more of those success stories if we are to expand the private sector, bring down unemployment and create jobs for the future. That is why it is crucial to create the best environment in which to grow a business, and the coalition Government are playing their part.

Reducing the record deficit that we inherited is vital if we are to keep interest rates low and maintain the confidence of global markets. We have brought the deficit down by a quarter since coming to office, and we have cut income tax for over 600,000 people in Northern Ireland, taking 25,000 out of tax altogether with the increase in personal allowances. As a Government, we have used the strength of our balance sheet to set up the funding for lending scheme, and a new business bank will also be established to promote access to much needed business finance. We know that reducing business taxes is crucial if the UK is to compete successfully in the global marketplace, so we have brought down the main corporation tax rate from 28% to 24%. By the end of this parliamentary session, it will be 22%, and that will give us the lowest corporation tax of any major developed economy.

Of course, there are calls in Northern Ireland to do more, and, for many people, that means devolving corporation tax. I have been struck by the strength of the argument that has been made to me on that issue. It has been raised at practically every introductory meeting that I have had since being appointed, and I have been taking that case to colleagues in government. I am ensuring that they are in no doubt about the strength of feeling on that issue in Northern Ireland, and a great deal of work has been done on that by the Treasury and the Executive in the working group chaired by David Gauke that concluded its work last Thursday.

Some real progress has been made, and we now know the broad shape of what of a devolved corporation tax regime might look like. We also know how it might be delivered without imposing excessive administrative costs on business or on HMRC. However, there are still some important alternatives to consider and important issues to be resolved before the Government could decide in principle whether or not to proceed. As a working group, we will now take stock, write up our findings and report them to the Prime Minister in the next few weeks.

I know that the focus of this Assembly goes beyond Northern Ireland, and I want to say a little about the relations between the UK and the Republic of Ireland.

It seems to me that the relationship and spirit of co-operation between our two countries has never been stronger. Last year, of course, saw the Queen's historic first visit to the Republic, and, this year saw the Olympic flame's unprecedented journey to Dublin. As the Taoiseach and the Prime Minister made clear in their joint statement in March, London and Dublin are working closely together as we start a decade of centenaries. That will mark a series of events that had a profound impact on the political destinies of both our countries. As Secretary of State, I know that I face an important task in helping to ensure that those significant anniversaries are approached with a spirit of mutual respect and inclusiveness, and I welcome the commitment of the Irish Government to co-operating and working with us to ensure that that shared goal is achieved. Those events are visible emblems of the unique and deep ties that bind our two countries.

Those ties between us are much more than merely symbolic or historical. I greatly value the partnership that we have today with the Irish Government, and I am enthusiastically committed to working with them on a range of issues of mutual interest. So, I visited Dublin as soon as I could after being appointed, and it was a great honour to have the chance to meet the Taoiseach and a number of his Ministers.

It is self-evident that the economies of the United Kingdom and the Republic of Ireland are inextricably linked. That is one of the reasons why a Government that is fiercely resistant to participating in euro-zone bail-outs acted swiftly and without hesitation in providing substantial bilateral assistance to the Republic of Ireland when

the severity of the banking crisis became apparent in autumn 2010. It is in the interest of both our countries that we work together in tackling the immense challenges that we face in recovering from a devastating deficit crisis. Sadly, across Ireland — North and South — there is a painful hangover from negative equity and debt. Therefore, I am keen to contribute to efforts to strengthen economic ties with the Republic of Ireland, not just North and South but east and west as well.

Of course, I am fortunate to have taken over as Secretary of State at a time when the politics of Northern Ireland is so much more stable and successful than the situation that greeted most of my predecessors in office. That stability provides the opportunity to move beyond the politics of the peace process to focus relentlessly on the politics of delivery. Nowhere is that more important than on the economy, but that, of course, is not my only priority. We must also continue with efforts to tackle sectarianism and to overcome the divisions that still persist in Northern Ireland, so that we can build a genuinely shared society. As the Prime Minister said in his speech to the Assembly last year:

“Northern Ireland needs a ... shared future; not a shared out future”.

So, I very much welcome the work done by the Executive on shared education, and I look forward to the publication of their strategy on cohesion, sharing and integration. When the Executive take the difficult decisions that are needed to make further progress, we will back them. Of course, we will not always agree on everything. As the Prime Minister said when last in Northern Ireland:

“there will be times when the Executive challenges the UK Government, there will be times when the UK Government challenges the Executive and there will be other times when we make common cause”.

Recognising that is, to me, the hallmark of a mature and grown up relationship between our two institutions.

Let me be very clear: the Government remain fully and enthusiastically committed to the principles of power sharing and inclusiveness enshrined in the Belfast Agreement.

Yet, at the same time, nobody can plausibly argue that our current institutions must be set in their current form forever. That is why the consultation paper that we published in the summer contained a chapter seeking people's views on the possibility of moving towards a more normal system that allows for a Government and opposition and, if so, asked how that might be achieved. There is nothing prescriptive about this. There is no predetermined outcome. We are not proposing a Westminster style "winner takes all" system for Northern Ireland and we are not seeking to impose a solution from London. My party made clear before, during and since the general election that any changes can come about only with agreement across the parties and across the community. Such changes must also be consistent with the power-sharing principles of the political settlement, which was so hard won.

As a Government, across the board, we have been very careful to respect the arrangements we inherited. That applies to the institutions and includes sticking to due process and the letter of the law when dealing with prisoners who are released on licence. It also means fully upholding the Parades Commission as the lawfully constituted authority to determine parades in Northern Ireland. We are not in the business of making unilateral changes to any of these, and certainly not with political considerations in mind. We all want the current stability in Northern Ireland to continue and this Government will not push forward with anything that might threaten that.

The third and last issue that I would like to cover this morning is, of course, security. Securing peace and economic and political stability in Northern Ireland is the best means we have of defeating those who still seek to achieve their objectives through violence and criminality. They act in defiance of the people of Ireland, North and South, who voted in such overwhelming numbers to secure their future through democracy and consent and in support of the current institution. While the disparate residual groupings, however small their number, exist, we must continue to be vigilant in our efforts to defeat them

Make no mistake, the security situation in Northern Ireland has been transformed over the past two decades. People now go about their daily lives in a way in which many would have thought inconceivable in the 1970s and 1980s. Yet, for all the progress

that has been made, it would be wrong to assume that the threat no longer exists. We saw with the tragic murder of PC Ronan Kerr last year that the threat remains live and that the attempts to carry out attacks continue to be very real. Of course, we are determined not to let those terrorists succeed in dragging Northern Ireland back to the past or to undermine the political institutions. As the UK and Irish Governments have stated for a very long time, the future of Northern Ireland will only ever be decided by democracy and consent.

We, in no way, underestimate the risks that residual terrorist activity continues to pose in Northern Ireland. That is why, in response to a specific request by the Chief Constable last year, the Government secured an exceptional, additional £200 million over four years to help him to bear down hard on terrorism. We remain determined to keep the people of Northern Ireland safe and secure, and unprecedented levels of co-operation now exist between police forces on both sides of the border that are aimed at achieving that. The strength of that relationship bears tangible results. It has saved lives, and it continues to be an important part of the way that we frustrate the efforts of those who seek to do us harm in Northern Ireland. When I met Commissioner Callinan in Dublin, I was truly grateful to have had the opportunity of thanking some of those who have been responsible for building and maintaining that crucial relationship.

Ladies and gentlemen, the statement in March by the Taoiseach and the Prime Minister demonstrated with clarity that relations between the UK and Ireland have never been better and that there are so many issues on which we can work together successfully. I would like to close by repeating my thanks to this Assembly for all that it does to promote mutual understanding between the nations of these islands, as we go forward in delivering the many goals that we share right across the political and economic challenges we face in an uncertain world. Thank you. *[Applause.]*

The Co-Chairman (Mr Joe McHugh TD):

Thank you, Theresa. Are you happy enough to stay up there and take questions?

Rt Hon Theresa Villiers MP:

Absolutely.

The Co-Chairman (Mr Joe McHugh TD):

I think that it was significant that, at the beginning of your contribution, you referred to the economy. To have the Secretary of State for Northern Ireland at this forum talking about the economy shows how things have moved on. During our executive meeting yesterday it was said that the complete focus of this body is not just on Northern Ireland. However, we are absolutely delighted with your contribution. Obviously, there are outstanding issues at a Northern Ireland level. We are also conscious that the new North/South Inter-Parliamentary Association is up and running. We have had our inaugural meeting, and it will help to define boundaries on an east-west and North/South basis. Thank you for your contribution, Theresa.

Senator Imelda Henry:

I just want to congratulate you on your appointment and to wish you well in your new job. I am sure that, as you look around the room, you will notice that this meeting is predominantly male, as usual. For the next general election in southern Ireland, 30% of the candidates on the ticket will have to be female. I suppose that some may or may not agree with that. However, it was a step that we had to take. Year after year and election after election, we have found it difficult to get women into politics. I want to congratulate you. I am particularly pleased that we have a female Minister.

I live in Sligo, which is a lovely part of the north-west of Ireland that is very close to the border. We have had several issues, but one particular issue is health services and the availability of services, particularly radiotherapy. I hope that that is an issue that you could take up. We are trying to establish cross-border services in the north-west. The chair will know what I am speaking about — it is about Donegal and Sligo. A fabulous new hospital has been built in Enniskillen, and we hope that we will be able to share services between the North and the South. I know that our Minister for Health has met with the Minister of Health. I feel very strongly about it, as I live on the border and in a part of Ireland that I feel has been neglected and has suffered. When you ask sick people to travel a distance, for example, from Sligo, or even from Donegal to Galway, it is a long and harrowing journey. I am very hopeful that we can establish and have a very good cross-border service between Northern Ireland and the South of Ireland.

Mr Jim Wells MLA:

Secretary of State, you are very welcome. It is interesting that you came here as one of your first engagements. That shows a bit of courage, if nothing else, because you will probably get a bit of a grilling from various members.

I agree with you entirely that relationships between the United Kingdom and the Republic of Ireland have never been better. My political career started 30 years ago on Saturday, and I have seen the most remarkable change in relationships between the two halves of the island. It was unimaginable 10 years ago that I would be sitting in this meeting, never mind 20 years ago. It is an extraordinary change and everyone would concur with that.

I listened very carefully to your comments on corporation tax. Your predecessor came out very strongly and said that he, personally, was in favour of devolving powers of corporation tax to the Northern Ireland Executive. I listened very carefully to your contribution, and you spoke around the subject. However, you did not actually say whether you, personally, were in favour or not in favour of that devolution. It may be a bit early to ask you that difficult question, but it would be interesting to know your personal opinion on that very important issue. No pressure.

Mr Chris Ruane MP:

Secretary of State, it is good to have you up here in Scotland. My question is on long-term youth unemployment. Is the Secretary of State aware of the more recent psychological assessments of the impact of long-term unemployment, especially on youth? Psychologists say that the impact is greater than the loss of a loved one and it lasts, not just for two or three years, but, quite often, right throughout their lifetime. Therefore, the impact is not just economic as regards lost taxes and the benefits paid to the individual over a long period. It is the same wherever you go in the west. The impact is particularly bad in Northern Ireland, because it may end up with young people turning away from a positive, constructive, contributive way of life into a more negative way of life in crime and, dare I say it, with the paramilitaries. What particular actions is the Secretary of State taking to ensure that the young people in

Northern Ireland stay positive, contribute and feel part of the main, and that they are not marginalised on the edges of society?

Rt Hon Theresa Villiers MP:

I will answer Imelda's question first. Thank you for your congratulations. Yes, I have noticed that there are not too many women in politics in Northern Ireland or in the Republic of Ireland. It is a challenge that all political systems face right across Europe.

A key problem is that it is very often hard to get many women who are engaged, interested and encouraged to come into politics. There are all sorts of issues and concerns about quotas and targets, and each country has tended to approach it in a different way. It is vital, across the board, to try to encourage more women to put themselves forward for political office, because, unless you do that and have a range of female candidates from which to choose, you will never get near to evening out the imbalances that one sees in political systems in the UK, Ireland and across the rest of Europe.

You will appreciate that health services is a devolved matter. Therefore, those questions would properly be for Edwin Poots. However, in an age where the trend in healthcare is towards greater specialisation and bigger health units serving a wider range of population, I can see that it is important to think about the cross-border implications of healthcare. I am sure that the discussions that will take place between the Northern Ireland Executive Health Minister and representatives of the Republic of Ireland will be useful in looking at solutions as to whether there is more scope for sharing and providing services on a cross-border basis. However, that is outside the remit of the Secretary of State.

On Jim Wells's question about receiving a grilling from this institution, I am happy to be here and Laurence was particularly emphatic about the importance of coming along today. So, I am delighted to be able to take part in the proceedings of an institution that has played such a positive role over recent years.

On corporation tax, I have said many times since being appointed that it is a change I would like to see happen. I can see the case for it and that it would bring some real benefits to the Northern Ireland economy. The question is will it be possible to resolve the practical issues that remain, not least of which is how much the deduction to the Northern Ireland block grant would need to be to satisfy EU criteria. Another matter that, no doubt, the Prime Minister will consider when he makes the decision is the wider constitutional implications for the UK as a whole.

On Chris's point about long-term youth unemployment, I completely agree that there is a huge human cost to youth unemployment, particularly long-term youth unemployment. It is a great tragedy when young people with real promise simply cannot find a job. You will appreciate that there is a split of responsibility here. Many of the employment-based programmes are devolved, so the work programme activities that the Westminster Government are pushing forward are dealt with separately in England, and the Northern Ireland Executive take a slightly different approach.

The key role that the UK Government can play, and me as the Secretary of State, is on providing macro-economic stability — the kind of things I outlined in my speech — to play our part in ensuring that Northern Ireland is a good place to invest, grow a business and create jobs in. Dealing with the deficit is a crucial part of that. There is a huge disincentive to growing your business and creating jobs if you are worried about interest rates going up. That overall macro-economic framework and stability is crucial. It is also crucial to be promoting Northern Ireland around the world as a great place to do business in, to create those opportunities for young people.

The work that is being done by the Executive on the education system is important here as well in creating the right opportunities for young people. As I said in my speech, and as we all know, Northern Ireland's education system is excellent but there are still pockets of underachievement, which, I know, the Northern Ireland Executive are really focussed on dealing with.

So, there is a range of ways in which we need to help young people into jobs. Welfare reform is one. Creating the right macro-economic framework is another, and also, of course, addressing educational underachievement.

Mr Barry McElduff, MLA:

Go raibh maith agaibh, a Comh-Chathaoirligh. Will Mrs Villiers bring some fresh thinking to the British Government to the demand for a truly independent public inquiry into the murder of human rights lawyer Pat Finucane?

Mr Jim Sheridan, MP:

I speak in my capacity as chair of the United Kingdom parliamentary group to the UK Parliament.

I am somewhat concerned. You will be aware of the consultation that the coalition Government are taking on plain-packaging cigarettes. That will have a significant impact on jobs in the UK should it go ahead, in particular in Northern Ireland. Everyone applauds the work that the coalition Government are doing in terms of trying to protect children from advertising, particularly sexy smoking, etc, and trying to reduce the risk to children, but that could come at a cost, in the sense that it will cost thousands of jobs.

The trade unions have tried, unsuccessfully, to meet the appropriate Health Minister to say that both objectives can be achieved, in the sense of protecting children from tobacco products but at the same time safeguarding jobs. As I said, we have tried, unsuccessfully, to meet the Minister, so I just wonder whether it would be possible for you, in your capacity as Secretary of State for Northern Ireland, to look at the implications of the consultation on plain packaging for cigarettes and the impact that it will have on jobs, particularly in Northern Ireland.

Finally, Co-Chairs, it would be extremely helpful, given where we are in Scotland, if we watch our terminology. Some political parties like to use the words Westminster Government. There is no Westminster Government; there is a UK Government, so it would be helpful if colleagues would remember that in their contributions.

The Co-Chairman (Mr Joe McHugh TD):

Thank you, Jim; that is helpful.

Mr John Scott MSP:

Secretary of State, you mentioned the beneficial effects of reducing air passenger duty (APD) in Northern Ireland. APD is adversely affecting economic development here in Scotland. Do you see any likelihood of APD being reduced in other regional parts of the United Kingdom, and would you support that?

Rt Hon Theresa Villiers MP:

On Barry's question about the tragic death of Pat Finucane, the de Silva report is due for completion by the end of the year, and I am very confident that that will reveal the truth. I am very confident that it will be a very rigorous process. We all share the view that it is vital that the true facts of what happened are properly disclosed, and I am confident that the de Silva review is the best way to do that. In due course, of course, I will report to Parliament, once the de Silva report is published.

On Jim's question about plain packaging for cigarettes, it is obviously a difficult issue. I know the sensitivities in Northern Ireland. It is a matter that Ian Paisley has made representations to me on, because, obviously, it affects jobs in his constituency in particular. Clearly, with those kinds of decisions, one has to balance the pressing need to deal with the health impacts of smoking and to do all that we can to prevent children and young people from taking up smoking with the need to appropriately assess the economic factors and the issue about whether one simply drives jobs offshore without necessarily delivering the health goals that we are seeking. That is a balance that my colleagues in the Department of Health will be weighing up. In terms of getting a meeting with the Health Minister, obviously, I do not control my colleagues' diaries, but I am happy to take it up with the Health Minister to see if it might be possible for a delegation from Northern Ireland to come to talk to her about that.

On John's question about APD reductions, as you will appreciate, the Treasury consulted on air passenger duty and the options for reform. There are no plans in place for further changes to air passenger duty. In my previous role, I was well aware

of the concerns felt across the UK about the impact that it has. I know that many people would like to see reductions in air passenger duty, but the reality is that the current fiscal situation makes that very difficult. In terms of the debate about potential devolution, whether in Scotland, Wales or Northern Ireland, the statement we have made about potential Scottish devolution is that, now that a referendum is agreed and is going to be taking place, any debate about further devolution really needs to wait until after the result of that referendum before decisions can realistically be taken about the possibility of further devolved powers in relation to Scotland.

Senator Jim Walsh:

I refer to the tone and the content of the Secretary of State's contribution to us. I think that everybody of goodwill everywhere will welcome the evolution of a peaceful co-existence of the communities in Northern Ireland. It is in that context that I want to raise the issue of Marian Price. As you will know, she is under guard in hospital at the moment. For those who did not follow the case, she was guilty of a very serious offence in 1973, for which she got two life sentences and a 20-year sentence. She got a royal pardon in 1980 and was released, but the Secretary of State, your predecessor, revoked that licence in 2010. She was what some people regard as being reinterned.

That is a serious issue because it is quite an emotive issue in Northern Ireland. She is obviously in very poor health physically and mentally. As you will be aware, she has been in hospital for the past three months. There are reports, I think, with the Parole Commissioners and UN doctors. Various human rights organisations have taken up her case, and it would be a pity if a case like this gave rise to people of ill will who may want to revert to where Northern Ireland was in the past, and, in some way, they could draw some succour from her case.

As you know, a number of people are campaigning for her release. That is not to say that the charges that she is under at present where the courts have already adjudicated, and she is out on bail in relation to them, that that course of law should prevail, but it should prevail in a way that does not have a political overture to her position. There is a great deal of concern, and her case will be ratcheted up by people in the human rights sector because there is a feeling that it is a significant injustice. That is not in

any way diminishing the serious crimes that she was guilty of in the past or crimes for the future. Given her state of health, there is a real compelling case for you to look compassionately at her position. I urge you not just on my own behalf, but on behalf of a significant deputation from the Oireachtas who will be in Northern Ireland and will visit her shortly.

Mr Patrick O'Donovan TD:

Thanks Co-Chair, and congratulations Minister on your appointment as Secretary of State.

You mentioned in your remarks that the relationship between Britain and Ireland has never been stronger. In that context, it is something that I have spoken to the Co-Chair about, and we also spoke about it at one of the Committee meetings on sovereign matters, and it is in relation to strand three of the Good Friday Agreement and the east-west dimension, and, particularly, enhancing the role of this Assembly now that the British-Irish Council (BIC) has been established. Maybe the Co-Chairs of the Steering Committee might devote time in Donegal to it, but it might be something that you could look at in the context of underlining or underpinning this Assembly in a legislative capacity jointly with the Oireachtas to put on a legislative footing the role that this has in terms of its relationship with the British-Irish Council and in terms of the relationship that this Assembly could have into the future with the devolved Governments and the sovereign Governments. There is no doubt that the relationship has moved on to a new dimension, and the east-west dimension probably needs the greatest level of impetus put behind it.

As the Co-Chair alluded to at the start, and you referenced it, there is a North/South parliamentary association now on the island of Ireland. From my point of view, and from speaking to some colleagues, there is a great willingness in this Assembly to drive forward the east-west relationship. Other people will have their own opinion, but it needs to be done in the context of a legislative framework that you might give consideration to.

Rt Hon The Lord Mawhinney:

Secretary of State, I join all the others who have welcomed you to your new job, though in this body I do it uniquely as a former constituent. The Prime Minister made an excellent choice.

Rt Hon Theresa Villiers MP:

That is very kind of you.

Rt Hon The Lord Mawhinney:

Can I take you back to that part of your speech that dealt with the economy? Twenty-five years ago, the public sector made up 70% of the Northern Ireland economy. That was not sustainable, and it remains unsustainable. In 25 years, that percentage may have dropped by two or three points, but it is still at least in the mid-sixties. You know and I know that you cannot build a prosperous Northern Ireland on an economy that is that skewed. So, I invite you to do your own thinking and set out objectives with the devolved Executive to try to more appropriately balance the Northern Ireland economy. That will mean a certain amount of pain in the short term, but it will also almost certainly mean an enormous amount of gain in the medium and long term. I would be grateful to hear your thoughts on that.

Rt Hon Theresa Villiers MP:

Turning firstly to the Marian Price case, I am well aware of how sensitive it is and many people have raised it with me. You will appreciate that her treatment in hospital is a devolved matter for David Ford, so if you have questions about that they should be directed to him and not to me. I also emphasise that the decision on Marian Price is being made by the Parole Commissioners. That is enshrined in our law, and were I to seek to interfere with that, regardless of my good intentions, it would be political interference in a legal process, which would be far more destabilising than the current situation. It is very important that the appropriate legal procedures are followed in an entirely fair way, and I am confident that the Parole Commissioners are doing that.

It is important that they move as promptly as they can to make a decision. Certainly, the Northern Ireland Office has complied with any deadlines that we have been given in the process. I emphasise that it is a decision for the Parole Commissioners and not

one for me as Secretary of State. Therefore, it would be inappropriate for me to intervene and interfere with that due process of law.

Patrick O'Donovan asked about strand three and enhancing the role of this Assembly given the establishment of the BIC. That has been a matter under discussion over recent years and a variety of ideas have been canvassed, such as the submission of your reports to the BIC as well as to the individual Governments. Some good work has gone on there.

As to whether you need a legislative footing, it strikes me that the Assembly is already working in a very effective way, so I am not convinced that you necessarily need to go down the legislative route to change your status. Obviously, if the Assembly wants to make representations on that to me and the UK Government, feel free to do so.

Thank you, Brian, for your kind comments. I fully agree that we need to rebalance the Northern Ireland economy. The UK Government and the Northern Ireland Executive both agree that that is vital. In my speech, I set out some of the ways in which the UK Government are seeking to create the right conditions for business to flourish by trying to create overall macroeconomic stability, keeping interest rates low and putting the public finances right. Those are essential preconditions for economic success in Northern Ireland, as they are everywhere else.

We are also bearing down on unnecessary business regulation. Indeed, a common cause we have with the Government of the Republic of Ireland is our belief that the European Union should be pulling back the red tape that it imposes on business and have a much stronger focus on ensuring that all the nations of Europe are competitive and that we genuinely open up markets across Europe to create opportunities for businesses in the UK and Ireland.

Another crucially important area of activity for the UK Government in ensuring that Northern Ireland is competitive is the work that we are doing on the simplification of the tax system, because having to deal with a very complex system can also significantly impact on business costs. As I said in my speech, we are also reducing business taxes, and we have reduced income tax for many people in Northern Ireland

through our increases in personal allowances. Putting money in people's pockets in Northern Ireland helps to revive the economy.

The work that the Chancellor has done to encourage creative industries to come to the United Kingdom by offering tax breaks is bearing fruit already in Northern Ireland with, for example, HBO's incredibly successful series 'Game of Thrones' being filmed in the Titanic Quarter. I know that those there are very anxious for the tax credits to cover television production as well. The process for bringing that about is under way. So the UK Government are doing a range of stuff, but it is also clear that many of the economic levers are now devolved, and rightly so.

I particularly welcome the work that the Executive are doing on reforming the planning system. That is something that we are grappling with in England as well, but, right across the board, it is clear that if you are going to create jobs and if you are going to encourage the private sector, it has got to be able to build. Therefore I think that reforms of the planning system are entirely possible, and, of course, a strong say for the local communities will be retained. They will appropriately protect the environment, but not create a drag on private sector investment. Those are some of the ways in which we can rebalance the economy in Northern Ireland. As I said, it is a real priority for me to work with the Executive on that task.

Mr Willie Coffey MSP:

Thank you very much, Co-Chair. Secretary of State, I want to go back to the point about corporation tax, which Jim Wells made a minute ago.

I think I recall that you said in your remarks that any further thoughts about devolving further powers would wait until after the Scottish people decide, in two years' time, whether to vote for independence. Do you not think that might be seen as a measure by the Government at Westminster of being particularly against Scotland's interests with regard to competitiveness between the Scottish economy and the economy of Northern Ireland? I would like to hear your views on that. Given that you said to Jim Wells that you were supportive of the devolution of corporation tax, in principle, are you similarly supportive of that move for Scotland?

The Baroness Blood:

I welcome the Secretary of State. I was not going to say anything about education, but the Secretary of State has tempted me by saying that she is pleased about the Executive's shared education programme. If I understand it, they have put in an advisory board to look at area-based education. I have no problem with that, provided that those area bases reflect true choice and that they do not merely put the Catholic Church in one direction and state schools in another direction, in the one area.

Last week, the Secretary of State very kindly visited a little thing around marginalisation that I was doing in Westminster. Chris Ruane raised the question of unemployment and low educational attainment. I work in an area that has a high proportion of low educational attainment. I would like to hear what the Secretary of State thinks the Education Department is doing around that. She already alluded to the fact that we have the best education system ever. Yes, we do — for the top 35% of our young people. However, at the bottom end, 35% fall off the radar. We have to find a system that works for all our young people, because education is the future. That was more or less a comment, rather than a question. I know you are not in a position to give all those answers, but, no doubt, I will be after you in the coming months to get the answers.

You raised the idea about shared education. My last point is that most of the shared education that is going on in Northern Ireland is privately funded. That worries me, because that private funding will finish in the next two to three years. So far, the Department has not taken that, grabbed it by the neck and moved forward with it. I would be interested to hear your comments.

The Lord Dubs:

May I join in the congratulations to you on your new post and thank you for being here today?

I think the Prime Minister handled the release of the Saville report extremely well and got a lot of praise for the way in which he dealt with it very quickly, early in his period of office. There are other outstanding issues. We cannot spend all our time looking at the past. On the other hand, if there are blatant injustices, it is very hard to

say, "We are moving on; that is just tough." One of the most obvious issues is Ballymurphy. It is a difficult one. Nobody wants 10 years of an inquiry. On the other hand, the Ballymurphy families have a very strong sense of injustice. There comes a point when we have to say that we need to meet their concerns. Nobody is asking for a lengthy inquiry. However, something that is limited might be a way to deal with what is a strongly felt sense of injustice by those families.

Rt Hon Theresa Villiers MP:

With regard to the first of the three questions, on the devolution of corporation tax and whether it might happen in Scotland, my understanding is that opinions are very divided on whether it would be realistic to do that in Scotland. In particular, the Azores judgement of the European Union makes it clear that the cost of any kind of reduction would have to be borne in Scotland itself. That would mean quite a significant reduction to its block grant. I am not convinced that there is an appetite to do that in Scotland.

In any event, the successful negotiations last week culminated in a simple, "In or out?" question for the referendum. I think that it is appropriate to concentrate on that. Certainly, this Government have demonstrated that they are perfectly happy to look at different devolution options for different parts of the United Kingdom. However, what the Prime Minister does not want to happen is the blurring of those two questions. The Scottish Government asked for a referendum — "In or out?" — and that is what they got. That battle is now about to commence.

Baroness Blood asked about education. As you will appreciate, that is a devolved matter, so it is not for me to dictate how the Executive choose to run their education policy. The sort of work that I have welcomed is the ideas around, for example, getting different schools to work more closely together, so that links between schools can play a part in reducing sectarian divisions. That is a very positive way forward. On the points that you made about funding, I must confess that I do not know the details of how those things are funded. However, I would be happy to discuss that with you in more detail at a later stage.

With regard to how educational underachievement is dealt with, I had a really useful introductory conversation with the Executive's Minister of Education. I know that he has a lot of ideas for addressing that, some of which are being debated as we speak. Personally, I tend to think that early intervention is very important. That is something that the UK Government focus strongly on in their approach to education because of the evidence that is out there that shows that so much or the rest of people's lives can be determined by their first few years. Therefore, support that can be given to young families through early intervention is one way in which educational underachievement can be addressed. I am sure that that is something that the Education Minister is interested in as well.

Lastly, I will turn to Lord Dubs' question on the Saville report. I appreciate the kind words about the way in which David Cameron dealt with the Saville report. I agree that it was a historic day. He demonstrated a huge amount of insight and courage in the way in which he responded to what was a devastating report.

As regards an overall solution to how we deal with the past, it is right for all of us, whether it is me as Secretary of State or all of the political parties in Northern Ireland, to consider whether we can find a solution that helps victims and survivors, recognises the pain that has been caused by the Troubles and actually helps everyone to move forward towards a genuinely shared future.

It is not easy. To be honest, the UK Government cannot impose any kind of solution. We do not own the past. I am happy to engage with the parties in Northern Ireland to see whether there is more that can be done to help to come to terms with the past.

On Ballymurphy specifically, my predecessor said no to the inquiry which he was asked to undertake for very good reasons, including the fact that the incident is being investigated extensively through other processes. And on that, I hope to meet representatives of the families who suffered as a result of Ballymurphy.

[A short section of the meeting was not recorded due to technical difficulties.]

Mr Ken Skates AM:

I offer my warmest congratulations to the Secretary of State on her appointment.

Many thanks for your comments a moment ago on air passenger duty, and for confirming, in particular, that a decision on the possible devolution of APD to Scotland will have to wait until the outcome of the 2014 referendum. With all due respect to my Scottish friends, Wales would like to have a decision sooner rather than later. Are you able to confirm whether a decision on the possible devolution of APD to Wales can take place regardless of discussions post- or pre-2014?

Rt Hon Theresa Villiers MP:

Well, I think you have saved the two toughest questions for last. I am not the world's biggest expert on forestry fungus, but I am sure that devolved Ministers responsible for that area are considering the issue carefully. Obviously, it is a concern right across the UK, and I will certainly pass on your comments. However, as it is not a reserved matter, it is not for me to get involved in.

As to air passenger duty in Wales, I am not sure of the decision-making pathway on that issue, I have to confess. However, I am happy to check that with the Treasury and come back to you.

Are there any other questions? Did I forget one?

The Co-Chairman (Mr Joe McHugh TD):

Can you address the Welsh question?

Rt Hon Theresa Villiers MP:

I have just answered that.

The Co-Chairman (Mr Joe McHugh TD):

Ken, do you want to ask your question again?

Mr Ken Skates AM:

My question was answered completely. Thank you.

The Co-Chairman (Mr Joe McHugh TD):

Sorry. My apologies for not listening. *[Laughter.]*

I think that on that note, Teresa, the feedback on you today is that you are willing and prepared to listen. It was a broad range of questioning and issues. We are very mature Assembly and we are allowing you the space to work with us and to familiarise yourself with the territory and brief. We are absolutely delighted that you are here today, and it is an acknowledgement of your attention to this Assembly. We will continue our engagement and we look forward to that.

Thank you very much Teresa.

Rt Hon Theresa Villiers MP:

Thank you. *[Applause.]*

The Co-Chairman (Mr Laurence Robertson TD):

Perhaps, I could add my thanks to Teresa for coming here today and answering so many questions. We look forward to her coming before the Northern Ireland Select Committee on 31 October, when we can pursue those issues further. Thank you very much indeed.

Signed Languages of the UK and Ireland

The Co-Chairman (Laurence Robertson MP):

We now turn to the motion tabled by Senator Cáit Keane on signed languages of the UK and Ireland. The text of the motion is in the draft programme of business. It satisfies the criteria for debate under rule 16B, which requires that it be supported by at least 15 Members from at least three of our participating institutions and so it now comes before the Assembly. I now call Senator Cáit Keane.

Senator Cáit Keane:

I move:

That this Assembly recognises unequivocally the signed languages of the Deaf communities in the United Kingdom and Republic of Ireland, namely British Sign Language and Irish Sign Language respectively, and calls on the parliaments of the two countries to proceed with the official recognition of these signed languages without delay.

I am here today to speak on behalf of half minority deaf community for the UK, Scotland, Wales, Ireland and Northern Ireland. Hopefully working together on a north-south and east-west basis we can and will promote the situation for linguistic minorities in our various countries. At the outset I wish to quote a deaf person who said: "Being deaf in a mainstream society is not easy. It is dominated by a hearing society that feels it knows us best, how we should be educated, how we should live and what language which we should speak. We know that the ocean of mainstream society can be dangerous and oblivious to our needs, but life dictates that we need that ocean to survive." The deaf community need us today to survive to promote their minority language. I am asking all the Members to support this motion on behalf of the deaf communities in our various countries.

The British, Irish, Welsh and Scottish and deaf communities all have their preferred language. BSL, ISL Scottish sign language and Welsh sign language are all unique languages to their own countries. I want to establish what can be written down in

legislation. I hope we can all go back and work with the committee in order to advance the legislative situation in all our countries.

The British Government has already recognised British sign language in written and verbal form. On 18 April 2003, the British Secretary of State for Work and Pensions, Mr. Andrew Smith, made a written ministerial statement recorded in Hansard as follows:

“The Government recognise that British Sign Language (BSL) is a language in its own right regularly used by a significant number of people. For an estimated 70,000 deaf people it is their preferred language for participation in everyday life. BSL is a visual-gestural language with its own vocabulary, grammar and syntax. The Government understand that people who use BSL want their language to be protected and promoted in the same way some minority languages are by the Council of Europe's Charter for Regional or Minority Languages. The Council is considering how that might be achieved for indigenous sign languages. The Government will give careful consideration to any proposals which the Council might make. The Government have already taken action to improve access to BSL, for example by identifying situations where it might be reasonable for employers and service providers to engage the services of a BSL/English interpreter. The Government will be funding a discrete programme of initiatives to support this statement”.

This recognition of British sign language was not recognition as a matter of law but as a matter of Government policy. Given that British sign language was recognised in Britain the question arose as to what would be done in Northern Ireland. Not to recognise British sign language in Northern Ireland as a matter of policy would have been very difficult to justify in the light of its recognition in Britain. It would have been particularly difficult in a context where Irish and Ulster Scots were at the same time being legally recognised as a matter of international law by the British Government when it signed up to the charter for regional and minority languages.

I wish to clarify that Irish sign language has nothing to do with the Irish language. It is merely signing for the deaf community in Ireland and Northern Ireland. Recognising British sign language only would also be difficult to justify given the widespread use

of Irish sign language in Northern Ireland and the Belfast Agreement commitment to promote equality of opportunity and parity of esteem.

Therefore on 30 March 2004, the then Secretary of State for Northern Ireland, Mr. Paul Murphy, issued a press statement - not legislation - which recognised both British and Irish sign language. The press release records the then Secretary of State for Northern Ireland as stating:

“As well as helping to raise awareness of the particular requirements of deaf people, this recognition will also see the 11 Northern Ireland Government Departments joining forces to work proactively in partnership with representatives of the Deaf community to develop ideas for improving access to public services”.

That statement on recognition of BSL and ISL in Northern Ireland was very welcome. The Secretary of State explained that such improvements could, for example, include the provision of more tutors of ISL and BSL, better interpretation services etc. As a result of this the Department of Culture, Arts and Leisure led a partnership group including the representatives of other Northern Ireland Departments and the deaf community to review and take forward initiatives to support access to public services by sign-language users and the education and training of sign language interpreters in BSL, ISL or signed English. It has not advanced to being on a legislative format as quickly as everybody, particularly those in the deaf community, would like. Since 2004 it has not taken the legs it should have.

In Ireland it is much the same in that the previous Irish Government had been working with the deaf community and a centre for deaf studies was established in Trinity College Dublin. However, it was the broader deaf community of signed English. I am working with a person in the centre for deaf studies on the promotion of Irish sign language. For the first time we have seen it written in the Irish programme for Government, which states that it will,

“examine the different mechanisms to promote the recognition of Irish sign language”.

Through this body and on an east-west and north-south basis we can all work together to get it moving within our respective Parliaments. There is movement towards the recognition of sign language in some countries, for example in Hungary, Iceland and Scotland. I welcome what Scotland is doing and it is more advanced than the rest of us. We can learn from that and may be able to look at it later. If we work together we will be able to achieve a lot.

I wish to outline further reasons for doing this. A 1998 European Parliament resolution on sign language called on the European Commission to recognise sign language used by the deaf community in each member state and to ensure that EU funding programmes in the field of education are available for the cultural promotion of the various sign languages.

In 2010 the national associations of the deaf of the member states of the European Union and its affiliated members, Iceland, Norway and Switzerland, agreed the Brussels declaration on sign language in the European Union. This is an important development for various sign languages in the European Union. The declaration was signed on 19 November 2010 but the resolution has not yet been considered by the European Union. I ask everyone here to ensure that their MEPs go back and try to get that declaration signed. That would be something we could do to get some movement. We can all ensure that our respective countries sign the United Nations Convention on the Rights of Persons with Disabilities, which has four articles that relate to the culture and sign language of the deaf community. I draw members' attention to Article 21 on freedom of expression and opinion, and access to information, which mentions the use of sign languages and

“formats of communication of their choice by persons with disabilities in official interactions”.

The linguistic identity of the deaf community is as follows: in the UK it is British sign language; in Scotland it is Scottish sign language; in Ireland it is Irish sign language; and in Wales it is Welsh sign language. I understand that Elin Jones AM from the National Assembly for Wales is doing considerable work on the Welsh programme and she might have something to say on that. Article 30 deals with participation in

cultural life and emphasises the right to the unique deaf culture and the state is obliged to support that. We have all the legislation on our side and we need to try to get all of our Parliaments to act because none of them has recognised it in legislation even though all are working towards it.

On 27 May 2011 Hungary passed a Bill enacting this into law. If that country can do it, we can do it. Iceland passed a Bill in 2011. It was a memorable day for all deaf people in Iceland and Europe when the Icelandic Parliament passed a Bill to increase the legal status for Icelandic sign language, to see ISL enshrined in Icelandic law. ISL also stands for Irish sign language and I hope it will not take too long before we can do this. There is some work we can do here today, working on an east-west and north-south basis. What can we do? All those present are legislators. With the advice of the Chair, we could send a letter to our respective Governments asking them to outline the present situation. We could get interested people to form a little group, which does not need to be a sub-committee. Technology is such that interested people from the various communities could get together to work out how to advance it through this committee. They are a minority numbering 70,000 with 5,000 in Ireland. We owe it to the deaf community to do something. Because they are small in number, they should have a voice - our voice. I ask Members to support the motion and I ask the Chair for any recommendations.

The Co-Chairman (Laurence Robertson MP):

I call Connetable Daniel Murphy, followed by David Melding AM.

Connetable Daniel Murphy:

I represent Jersey at this conference and I will outline what we are doing to advance this matter. We have started from the bottom and we have a primary school that specialises in a very small way. We only have 30 people, thank goodness, who are deaf and need this help. They are catered for in the schools. We have two young adults who go to teach them in youth clubs. We have lunchtime conversation pieces in the primary school to bring the children on. When I went to see the school play in my local primary school which has 400 pupils, I was very pleased to see two of the teachers standing in front of the audience, signing as they went on. Levels 1 and 2 in

adult education are now part of the curriculum and level 3 will be developed over the next few years. This is, of course, equal to a GCSE pass grade A.

This all, of course, leads to much more integration and willingness on behalf of the hearing community to communicate and integrate with the deaf children and deaf people. I hope we will carry forward with this and I support the motion completely.

Mr David Melding AM:

Senator Cáit Keane gave a wonderful speech full of great enthusiasm. She has raised a very important issue. A very important minority have such hearing loss that it makes it very difficult to participate in the political process. I regard this as a high-priority issue.

The National Assembly for Wales has offered on-demand BSL services since its inception in 1999. At the moment committees can provide services for witnesses to give evidence and also for the witnesses to understand the proceedings of committees. We extend that, on notice, to the proceedings of the plenary. We occasionally have these requests in addition to our wider communication role. Our communications team is trained and we provide tours of the Assembly using BSL. As an Assembly we are working with Action on Hearing Loss to attain the Louder than Words charter mark. I am not sure if this extends to Ireland, but there may be an equivalent there.

This is a very practical example of what we could urge the various legislative bodies, from which Members of this Assembly come, to do. In addition we provide services to Assembly Members on demand so that they can improve their constituency work by having interpretation facilities available. That is not just when individuals come to them but also so that they can get involved in work with voluntary bodies and groups in the community, particularly, obviously, for people with hearing loss.

I have only one reservation, which would certainly not prevent me from supporting the motion. In Wales we are slightly sensitive to the word “official” because we have two official languages, Welsh and English. All Assembly proceedings can be conducted through Welsh and English and any Member may alternate between them. In addition our legislative process can be conducted fully in Welsh. So it is not just

translated, but is actually conducted in Welsh. That is what we mean by official - it is quite a hard definition of very specific and extensive rights. We would slightly qualify what we mean by official and I believe we are not quite there in terms of what we are calling for in BSL. I believe this is a very important motion and was most eloquently expressed by Senator Cáit Keane.

The Co-Chairman (Joe McHugh TD):

I wish to bring the debate to a close by putting the question on the motion to the Assembly. The question is:

That this Assembly recognises unequivocally the signed languages of the Deaf communities in the United Kingdom and Republic of Ireland, namely British Sign Language and Irish Sign Language respectively, and calls on the parliaments of the two countries to proceed with the official recognition of these signed languages without delay.

Question agreed.

The Co-Chairman (Joe McHugh TD):

I thank Senator Cáit Keane for her contribution. It is clear she put considerable research and thought into it. Her proposal to bring it to our respective Parliaments is worthy and the Co-Chairs will ensure we do that. I thank Connetable Daniel Murphy for the practical educational examples he gave and David Melding AM for the parliamentary examples he gave. They will help in advancing this constructive proposal.

The Scottish Economy

The Co-Chairman (Mr Joe McHugh TD):

The next item is a debate on the Scottish economy, for which I am delighted to welcome the general secretary of the Scottish Trades Union Congress, Mr Grahame Smith.

Mr Grahame Smith (Scottish Trades Union Congress):

Good morning, ladies and gentlemen. I have been trying desperately to move into the 21st century so all my notes are on my iPad, but I do not have much confidence in that, so they are also on paper. I have not really got to the point where I can entirely avoid destroying trees for all the words that I tend to put in my speeches.

I am absolutely delighted to have been asked to address such an august body of British and Irish parliamentarians. It is a real honour to be here. I understand that this is the first time the Assembly has met in Glasgow and only the second time it has met in Scotland, so on behalf of the Scottish trades union movement let me say that we are delighted to have you here.

As the Glasgow representatives here will tell you, Glasgow is a wonderful and, in recent years, much-changed city. Of course, it still has too many of its citizens living in poverty and out of work—unemployment here is 77% higher than it was in 2008 and there are nine jobseekers allowance claimants chasing every vacancy—but its smokestack and heavy industries have been replaced by industries that are a feature of all modern economies. Shopping now rivals shipbuilding in importance and although we still build ships on the Clyde, our expertise is in the high-tech systems within them as well as in their fabrication. We still do engineering, but bioengineering is of increasing importance.

Oil and gas may be the driver of the economy of the north-east of Scotland, but renewable energy has a substantial presence in this city, with world-leading expertise at the University of Strathclyde. The headquarters of the Offshore Energy Catapult—a £50 million technology innovation project funded by the Technology Strategy

Board—will be located within the flagship international technology and renewable energy zone based in this city. Of course, we are also very much looking forward to hosting the Commonwealth Games in 2014 and the opportunities that those will bring—alongside the new Hydro Arena that is being built at the Scottish Exhibition and Conference Centre—to boost tourism.

Glasgow also has a great labour and trade union history. It was at the heart of red Clydeside during the era of post-first world war political radicalism, which is such an important part of the trade union movement's history, not just in Scotland but in Britain. Glasgow and its surrounding areas produced some of the great labour and trade union leaders, such as Willie Gallagher, John Maclean, Mary Barbour and Manny Shinwell. Of course, from its shipyards and engineering works came the likes of Sir Alex Ferguson, who was a leader of the apprentices strikes in the 1960s, and Billy Connolly.

I am sure that, while Members are here, you will be able to see some of the city and enjoy some of its world-famous hospitality and then spread the message of what Glasgow and Scotland can offer to visitors.

The forthcoming referendum on independence is, for better or worse, the dominant issue in Scottish political life—if not yet for the vast majority of Scottish workers and trades unionists. I do not intend to talk about the views of the STUC on the constitutional question this morning, but I am happy to do so if you wish and if time permits.

Before I move on to our perspective on the current state of the Scottish economy and the labour market, which is the main issue that I want to talk about this morning, I should perhaps say something about the Scottish Trades Union Congress. The STUC is the umbrella organisation of Scotland's trades unionists. We are not party-politically affiliated. We represent more than 635,000 trade unionists, who are members of our 37 affiliated unions and 22 trades union councils, which are local union bodies based in communities. In our role, we seek to represent the interests of trade unionists both as workers and as citizens, so we very much see ourselves as part of civic society here in Scotland. Unlike the Wales TUC, we are completely

autonomous from what we call the British TUC, having seceded in 1897 over a disagreement about the role of local trades councils and because of the desire of Scottish unions at the time to support the emerging Labour Party as their parliamentary arm.

Union membership in Scotland has held steady in these difficult times. Membership is around the same as it was at the end of the 1990s and is higher than when I became general secretary in 2006—those two things are not in any way related. [*Laughter.*] We will still represent almost one third of the working population and we have a presence in almost 45% of all workplaces in Scotland. Union density is, of course, higher in the public sector than it is in the private sector, but we are represented in Scotland's major private sector employers, both domestic and foreign owned. The most successful companies across our key industrial sectors are union organised and include Scottish Power, Scottish and Southern Energy, Ineos—which is our largest exporter by far—Rolls-Royce, BAE Systems, BT, Diageo, First Group and the Clydesdale Bank. I could go on. We are represented and play a significant role in some of our major private sector companies. A union member in Scotland is more likely to be a female graduate professional than a male manual worker. That represents a change in the face of the trade union movement over the past 20 or 30 years.

We place great value on our relationships with the Irish Congress of Trade Unions, the British TUC and the Wales TUC. We meet regularly with colleagues from the Irish congress from both sides of the border and we meet annually with our colleagues in those trade union centres in what is called the Trade Union Council of the Isles. As you know, one of the strands of the 1998 Northern Ireland Good Friday Agreement includes the mechanism of the British-Irish Council, which aims to promote east-west dialogue and co-operation between Britain and Ireland with involvement from representatives of the devolved UK Administrations as well as the British and Irish Governments.

At the time the agreement was signed, the trade union centres in Britain and Ireland agreed to establish a similar body to promote trade union dialogue and co-operation

on cross-border issues, with the intention that the body would meet annually. The 12th meeting of the Council of the Isles will take place in Cardiff in January.

Of course, many of those whose ancestors came from Ireland have been stalwarts in the trades union movement in Scotland. In fact, I have yet to meet a Scottish trades unionist with Irish ancestry who has not claimed to be related to James Connolly. In fact, I have met many Scottish trades unionists with no Irish ancestry who also claim to be related to Connolly. Connolly was, of course, a Scot born of Irish parents who, before returning to Ireland, was an active trade unionist and a delegate to the Dundee Trades Council.

Our connections with our colleagues from across these islands are many, varied and deep-seated, although I am afraid that I cannot claim that the connections extend to the Isle of Man, Guernsey or Jersey, apart from through the TUC affiliates that have a presence there.

I will take a few minutes to give Members our assessment of the state of the Scottish economy, particularly the state of the labour market, and of some of the challenges that we face and some of the solutions that we advocate.

I know that among the issues that Members are concerned about are boosting of trade and tourism and learning from the Scottish experience. I will not talk specifically about those issues, but the more general issues that I intend to mention are very relevant to the challenges that are faced by the tourism sector in Scotland and the challenges that we face in boosting our exports.

Unfortunately, I too often begin my assessment of the Scottish economy by saying that I am “reluctantly pessimistic”. That is not to say that the situation is uniform across the country or across sectors.

The situation in the north-east, for example, given the impact of the oil and gas sector, is considerably different from the situation in the west of Scotland. I was in Aberdeen last week as part of a group that was looking at the skills challenges that are faced by the oil and gas sector, which is having difficulties recruiting sufficient engineers, but I noticed that Costa there is having to advertise for baristas. That must be the only place

or one of the few places in Scotland where that is the case. Contrast that with the position in West Dunbartonshire where, according to the latest unemployment figures, 40 jobseekers allowance claimants chase every full-time vacancy and unemployment is 90% higher than it was before the crash in 2008. In Aberdeen city there are 2 claimants for every vacancy.

The situation in the energy and life sciences sectors and, indeed, in the financial and business services sectors is different from the situation in the construction or manufacturing sectors. The most recent gross domestic product figures show that manufacturing output declined by 2.2% in the second quarter of this year. Our tourism sector has faced significant challenges in recent years as a result of wider economic conditions and it is unlikely that the Scottish Government's target of 50% growth in tourism by 2015 will be met.

Every month we survey our main union affiliates and the picture that we get from them is one that, in the main, matches that painted by the official statistics.

The latest gross domestic product statistics were published last week—the figures are for the second quarter of 2012, because we lag a quarter behind the UK as a whole. The statistics confirm that the double-dip recession extended into the second quarter of 2012, that it was the third quarter for which the economy has contracted and that it was the ninth quarter out of 16 in which there has been contraction since the initial downturn in 2008. Most worryingly, output is still below pre-recession levels.

Manufacturing, exports and construction are all significantly below pre-recession levels and we have not seen much evidence that the economy is rebalancing.

On both the International Labour Organization and claimant-count measures, unemployment has doubled since 2008. Youth unemployment has also doubled but, much more worryingly, long-term youth unemployment has risen by over 400% and continues to rise at an annualised rate of over 5%. Last week, figures showed that the ILO measure indicated that there had been a rise in unemployment of 7,000 in the three months to August, so although the productivity conundrum continues to persist at UK level, with the scale of the fall in output not being matched by a related rise in unemployment, in Scotland it seems that jobs are falling with output.

However, the headline statistics do not display the totality of the significant changes in the Scottish labour market over the past four years: 100,000 full-time jobs lost, the biggest percentage fall in any UK nation or region, and a staggering 242,000 people identified as by the Scottish Government as being underemployed—that is, forced to work in part-time and temporary positions because they cannot find full-time permanent positions, which they need in order to have a decent standard of living, or are working in jobs that are nominally full time but which fail to provide sufficient hours to allow them to get by. The increase in self-employment that we have seen is not a sign of a rising entrepreneurial tide, but is about people trying to scratch a living doing what they used to do as employees. That has been an important factor in explaining plummeting productivity.

A lot of the commentary throughout this prolonged slump has emphasised the benefits of so-called labour-market flexibility in allowing more people to stay in work through reductions in hours and wages. Recent figures suggest that the situation is not persisting in Scotland, with Scotland experiencing a fall in employment that is significantly worse than the UK average and which seems now to be in line with the fall in output, although it is the case that, overall, unemployment in Scotland has not reached the levels that were feared, given the scale of output decline. Unions have negotiated agreements with a number of employers on hours reductions and wage freezes in order to keep members in work, which has contributed to the current situation. However, that was never going to be sustainable, and we are beginning to see that coming through in the statistics and in what our union affiliates have told us.

What that actually means, however, for the working lives and living standards of people in and out of work is rarely discussed in public debate. My concern is that when the labour market eventually emerges from its current depressed state it will be even more polarised than it was in the pre-recession period. Of course, in union-organised workplaces we would expect to see both hours and wage levels restored. However, in the unorganised sectors of the economy, significantly more people will work in low-wage, insecure, part-time or temporary jobs. Many of those workers will spend extended periods moving between insecure work and unemployment. That will have a detrimental effect on their skills and future job and health prospects, and it will also leave the economy much less fair, equal and democratic and much more unstable and prone to systemic crises—hence my reluctant pessimism.

So, what are the prospects for improvement? Domestically, in my view, the unnecessary, unfair and regressive fiscal consolidation that we are experiencing has led to plummeting consumer and investor confidence. Real wages and household incomes are under severe pressure. Corporations are sitting on a cash pile of £1 trillion but are on an investment strike and are refusing to invest as the demand for the goods and services that they produce vanishes. Internationally, we know about the pressures in the eurozone. That crisis has still to be resolved, and rapid consolidation next year could push the United States' economy back into recession, while we have seen growth slowing in the developing economies.

The opportunity to export our way out of recession and into recovery looks bleak. Despite the sterling efforts of Scottish Development International—our internationalisation agency—the Scottish Government's target of doubling our exports by 2020 looks to be increasingly unachievable. The bleak prospects domestically and internationally will impact on all sectors to some degree. Although there will be real opportunities for our tourist sector from events such as the Ryder Cup, the Commonwealth Games and the next Year of Homecoming, some of the recent gains that have been made in the domestic market could be squeezed if the troubles in the domestic economy continue; and if overseas markets in Europe and the US do not pick up, which looks increasingly likely, the expected growth in those sectors will not materialise.

I will finish my mentioning some of the challenges that we face and suggest how they should be addressed. The first challenge is to understand the real factors that lead to economic success. There has been a general political consensus supporting what I believe is the myth that deregulation—or so-called cutting of red tape—and low business taxes are prerequisites for economic success.

Until recently, there has been little or no recognition of the importance of reducing inequality. Thankfully, that is changing—if not yet in Government circles. There is a growing acceptance that inequality was a proximate cause of the crisis in the UK and the US. Wage share in the economy has declined by 11% since the mid-1970s. That is a UK figure—we have not been able to calculate a figure for Scotland. That means

that, on the eve of the crisis in 2008, workers were taking home more than £250 billion less than they would have been if wages had stayed at mid-1970s levels. That is roughly twice the size of the Scottish economy.

If the post-recession labour market is going to be characterised as I mentioned earlier, the only way that the products and services that the economy produces can be consumed is through rising debt—which is hardly the foundation of a stable and prosperous economy or society. Indeed, the front page of yesterday's *Sunday Express*—not a newspaper that I would normally read, but I was helping my son with his paper round [*Laughter.*]—highlighted a *Which?* report finding that 5 million Britons are borrowing and using their savings to pay for essentials such as food and fuel to heat their homes. Unless the repression of real wages is reversed, we are in real danger of simply repeating the mistakes of the past. That might be uncomfortable for some to address, but I fear that, unless the economy equalises institutions and trade unions, and unless progressive taxation and living wages are rebuilt, that will happen.

Another major challenge for the Scottish economy will be to maximise the employment benefits from genuine opportunities such as renewable energy and the move to a low-carbon economy in areas where Scotland undoubtedly has a first-mover advantage, such as marine technologies. The challenge will then be to connect those jobs to the areas of the country that need them most. In my view, that will need an approach to economic development that addresses issues of regional inequity, so that regional inequity drives policy instead of being an unintended consequence.

I believe that the STUC can claim much of the credit for the creation of the Scottish Investment Bank. The investment instruments that now sit as part of the Scottish Investment Bank, which is an arm of Scottish Enterprise—one of our two economic development agencies—have a major role to play in ensuring the availability of capital to growing businesses. However, that capital must be patient and long-term-committed capital if we are to reverse Scotland's long-standing deficit in innovation, research and development and investment in capital stock. Fundamentally, we still require reform of the financial system.

We also need to move beyond the rhetoric about rebalancing the economy and to move on to design and implement a modern industrial strategy for Scotland that will

sustain manufacturing employment at current levels and will, hopefully, grow it in the future. Again, that will require a new kind of financial sector as well as a different approach by Government—an approach that is much more interventionist than has been the case in the past 30 years. For too long, policy makers in the UK, particularly, have shied away from any intervention or even any discussion that could have been interpreted as seeking to open up the black box of the firm; it seems that nothing must impinge on managerial prerogative. However, in so many respects, it is what happens in the workplace that leads to productivity improvement and determines the success not just of the individual firm, but of the economy. We can talk about GDP statistics and unemployment levels, but it is what happens in the workplace that makes a difference.

Important to that will be, of course, investment in skills through apprenticeships, retraining and upskilling. As others know, I can talk for hours about what unions are doing through the STUC's learning arm, Scottish Union Learning. I was fascinated by the discussion that The Assembly just had on sign language. We invest a lot of resource in training our union learning representatives in sign language, as they have demanded that over the past few years. However, investment in skills will not necessarily produce a productivity dividend if that investment is not part of a wider innovation strategy. A recent Nesta report estimated that investment in innovation by British business has fallen by £24 billion since 2008 and that Scotland could benefit by around £12 billion a year over the next 10 years by getting innovation right.

That is greater than the annual tax take from North Sea oil. Nesta also identified that process innovation has a greater impact on employment growth than product innovation. That means that any productivity dividend arising from investment in skills or technology will not be realised if work is not properly organised; if jobs are badly designed; if there is a deficit in leadership and management; if employees are demotivated and disengaged; if business models are based on low skill, low reward and high labour turnover; or if there is a lack of trust in the relationships between employer and union.

I visit a number of companies—although not enough—and I find that the ones that are doing well are those that have a positive and constructive relationship between management and unions and where there is strong partnership in the workplace,

underpinned by strong partnership between unions and employers across the industry. A sustainable improvement in Scotland's productivity rate will not be found through command-and-control workplaces or intensification of work.

Under Scotland's current constitutional arrangements, responsibilities for all the things that I have talked about lie at Westminster, although the Scottish Government has a significant role, particularly in relation to economic development, industry strategies, company support—including access to finance—skills, commercialisation and internationalisation.

I hope that that gives members an idea of the perspective of the trade union movement in Scotland on some fundamentally important issues that we face in the Scottish economy. I have not mentioned the current constitutional debate. Some people might be relieved about that and certainly, we in Scotland are getting to the point at which we are frustrated by the fact that we continually have to talk about it. However, I am happy to give, in answer to questions, our view on the potential impact on our economy, if that would be helpful.

Thank you once again for the opportunity to speak. I am happy to take any questions.

The Co-Chairman (Mr Joe McHugh TD):

Thank you very much for that insight into and critique of the Scottish economy and the obvious future challenges on wages and inflation. It was interesting to hear your reference to helping your son with his paper round—you are bringing union participation and solidarity with the worker to a new level, so congratulations on that.

Mr Joe Benton MP:

I thank Grahame Smith for his address. My question revolves around his closing remarks. I have two points to raise. First, I ask him to elaborate a bit on the STUC's position with regard to the referendum. People such as me see separatism as a total disaster for the Scottish economy that will have a dramatic effect on the STUC's membership. I am not taking too pessimistic a view—I just think that that is the way it is. I would welcome Mr Smith's official recognition of that. I come from Liverpool so, in a way, it is a great pleasure to be here in Glasgow, because the cities share

many problems. I am sure that the problem of the referendum is uppermost in Mr Smith's mind, so I would welcome some elaboration on that point.

The Northern Ireland Affairs Committee, which our co-chair Laurence Robertson chairs and of which I am a member, undertook an inquiry into corporation tax. As the Secretary of State for Northern Ireland referred to earlier, that is a big problem in many respects.

Throughout the deliberations over corporation tax in Northern Ireland, in particular, I have consistently argued that whatever the benefits might be in assisting the Northern Ireland economy places such as Glasgow, Merseyside and the north-east could make the same arguments and justifications for the benefits or otherwise of having flexibility over corporation tax. I would like to hear the STUC's position and observations on this matter. It seems as if the Treasury has stood back from making the decision on Northern Ireland, and I think that the recommendation that the Select Committee came up with was very strong and fair.

Ms Mary Scanlon MSP:

I thank Grahame Smith very much for his presentation. Picking up on the overarching principle of inequality, I note that earlier this morning Senator Henry pointed out that few women are involved in politics. Recently, I was quite amazed to find out that we still have very few women engineers and that, for example, only 15% of the workforce of the North Sea oil industry are women, which is the same as it was 20 years ago. We do not seem to be improving in that respect.

Secondly, Grahame Smith kept referring to investment in skills and underemployment. I note that the issue is not only about people working fewer hours; many people are underemployed in that they are working below their skills, training and education levels. What, therefore, is your response to the seriously huge cut in the further education teaching grant? I was a lecturer in economics before coming to Parliament, so I know what a wonderful opportunity the sector has given people from all backgrounds.

You will not be surprised by my final brief question. How will the uncertainty that will be caused over the next two years by the referendum impact on the Scottish

economy with regard not only to inward investment in Scotland, but to firms that are already here and expanding their businesses?

The Lord Rogan:

Mr Benton has asked the question that I wanted to ask. What happens in Scotland in the referendum will affect not only the Scottish people but the whole UK, so I will be extremely interested to hear your comments on the matter.

Mr Grahame Smith (Scottish Trades Union Congress):

I should perhaps have spent all my time on the referendum, because the issues are complex and nuanced.

I am always very careful when I talk about the referendum. When one of our submissions to the UK Government's consultations on the referendum led to headlines in the media suggesting that the STUC supports the Scottish National Party, I was accused by a Labour MP—he is not in the room, but I think that some colleagues know him—of associating with what he called “separatist running dogs”. I think that he was partly being tongue in cheek, but the point is that I need to be careful about certain levels of nuance.

Being as brief as I can be in answering the question, which is something else that I have to be careful about, I should say that we have just launched an initiative called “A Just Scotland” to move the debate beyond where it has been for the past six months—around questions of process such as when the referendum should be, what the question should be, who should be entitled to vote and so on—to the real issues that our members and people in general are concerned about: jobs, public services, education, housing, poverty and inequality. In other words, we are looking at what we see as being the broad social justice agenda, hence the name of the campaign.

“A Just Scotland” is a virtual and actual initiative. For a start, there is a website, to which we have invited people to submit their views. We also went round the country every Saturday in September and engaged with our members and partners in civic society to assess their views on the agenda. I have to say that the initiative is set in the context of the referendum, but it is not intended to define our position on it. That

position will be determined by our congress, which meets in April. There could be a decision in April next year, but it is probably more likely to be made in April 2014.

We do not have an official position yet, but I think that our union members stand at the moment in three camps that broadly reflect where I think public opinion in Scotland is. One group is made up of people who identify with Scottish nationalism, are nationalists and will support independence. They believe that it is a democratic question; that Scotland is a nation and should have the powers of any nation. That is their view.

Another group—a significant group—is particularly made up of trade union activists who see themselves as being part of the British as well as the Scottish trade union movement. They are members and activists in British trade union organisations and work with colleagues across the UK on issues of common concern. They see themselves as Scottish and British, but their perspective is much more about uniting with their colleagues in the north-east, the north-west, London or wherever and, as Brian Wilson, the former Labour minister said, working with their “fellow toilers”. They have more of a class perspective in that regard. They are and will be committed to voting against independence.

There is also a group of people who are open to persuasion. Members may have heard the First Minister’s comments at the SNP conference and seen the “Yes” campaign’s strategy. That strategy has been, I suppose, to identify the sort of agenda that we are talking about in the trade union movement—the social justice agenda—as being where the debate will be won or lost. It seems that if there is a perspective that progress on social issues cannot be made at UK level, people may well decide to vote for independence. They may take the view that no progress would be made under the current shape of the Westminster Government or they may look at the alternative and believe that it does not offer opportunity, so they may decide that they want to vote for independence.

Members may have seen a poll in yesterday’s *Sunday Times*. People can read into polls whatever they like, but this one indicated that 52% of the population are likely to vote for independence if they think that there will be a Conservative or Conservative-

led UK Government. I suppose I am saying that the situation is fluid. I apologise for the length of this answer, although I am happy to come back on anything.

At the moment we are identifying a number of questions that will have to be answered by those who advocate the various constitutional positions; not only those who favour independence, but the others who favour something that is not the status quo. All the unionist parties—if I can describe them that way—have committed to at least considering devolution of further powers. That will not happen as part of the referendum process, but there will be a dialogue in Scotland over the next two years on that and there may be things on offer, post referendum.

That seems to be where the debate is. We have a number of questions that we will have to ask, the most obvious of which are on the economy. Until now, we have probably developed about eight to 10 questions on, for example, the sort of economy that people view as being possible, their ambitions for the economy under independence or enhanced devolution, the impact on Scotland's public finances, given the inevitable negotiations on debt and restrictions that there might be in relation to tax levels, and what sort of welfare system we would have.

I will make a final point before I come back to Mary Scanlon's question on uncertainty. There has been little discussion of issues around the labour market; there seems to have been no consideration of enhanced devolution's including further devolution of powers around, and responsibility for, trade union and employment rights. For all who are involved in the debate, there will be a question about the approach to trade union and employment rights. Should we use the flexible labour market model? Should we—as we argue—use a more progressive model that recognises the broader consequences of driving down terms and conditions and pay, as I explained earlier?

The debate on Europe is also important. Until now, the debate in Scotland has been about whether an independent Scotland would have automatic entry to the European Union. However, it seems to me that the debate is much more important than that; it is about what sort of role either an independent Scotland or the UK should play in the European Union. The question might be more interesting or more complicated

depending on what happens with any referendum on British membership of the EU, which might come in due course.

On Mary Scanlon's point about uncertainty, I also sit on the board of Scottish Enterprise, which is our economic development agency. We have regular dialogue with the chief executive of Scottish Development International and one of the things that we have asked for consistently is to be informed about whether there is uncertainty around potential inward investment. Until now, there has been no indication that there is a great deal of uncertainty on the part of potential inward investors. To be frank, there seems to be a lot more uncertainty around the world economy and the UK domestic economy than there is around potential constitutional change. A number of companies that I have spoken to believe that it is not for them to comment on constitutional change and say that they will respond to whatever political circumstances arise after the referendum.

Things will vary among sectors. The attitude of our members, by and large, is that so far they are not convinced one way or the other by the economic arguments. They certainly are not convinced by pocket-book claims about their being £1,000 better or worse off; people see through the superficiality of such claims. The issue for our members is more to do with what sort of economy we should have in Scotland and how best that can be achieved. The sort of questions that we want to ask of those who have particular constitutional positions to promote will be focused on that.

I am happy to come back to any questions around the referendum, if that is helpful. We will move through that process over the next two years. Our intention is to keep the debate going and to involve not only our members but civic society. With respect to everyone in this room, we believe that the debate is so important that it cannot be left to politicians. We need to engage the public, and politicians need to work with us to do that.

I could not agree more with what Mary Scanlon said about some of the challenges that we face on inequality. With regard to gender stereotyping, we raised with the oil and gas industry the way in which it promotes the industry to women. My colleague, Stephen Boyd, was criticised a week or so ago when he mentioned that some of the

advertises that have been designed to attract women into the sector could be deemed to be rather sexist. There is an attitude that must be addressed in terms of the image of all industries—not just oil and gas. That attitude goes way back into our school system and relates to equal pay and a number of other issues that we raised recently at a summit with the Scottish Government on women's employment. We take the issue seriously.

Some 51% of trade union members are women and, for the first time in the STUC's history, our general council has a female majority. The new general secretary of the TUC, Frances O'Grady, is a woman. For a long time, the trade union movement was very much seen as being an area in which women were unable to make progress, but I think that we have addressed that in some respects, although we have much further to go.

I agree with the points that have been made about people operating below certain levels of skill. That is one of the challenges that we face, and it relates to what I said earlier about the need for co-operation and partnership in the workplace with regard to how jobs are designed and how work is organised in order to ensure that skills are properly used. If we do that, we will get the productivity dividend that comes from investment in skills.

On the cut in the college grant, we will make it clear in the discussions on the Scottish budget and in our contributions through committee and directly to ministers that we do not think that that is wise use of resources. We believe that resources should be put into the college sector.

Although I accept that there are challenges for the Scottish Government in dealing with the budget, there are choices that it can make. I know that some people will not be happy about my saying this, but we spend £130 million on giving a bonus to every small business—it is a universal benefit. Since that benefit was introduced, I have asked for evidence of the jobs that it is creating and the training that it is supporting. I am not arguing that small businesses should not be supported, but I want to see evidence about whether that is the best way of supporting them. Consideration needs to be given to how the Scottish Government is allocating its funding. As Mary

Scanlon knows, that will happen as the Scottish Government debates its budget. It is a majority Government, so how far it will change its view remains to be seen.

I hope that I have answered all the points that were raised.

Mr John Robertson MP:

It is a pleasure to see you, Grahame—this is not the place where we usually bump into each other. It is good to see you smiling.

We have a problem in Scotland in that we always go into recession later than the rest of the United Kingdom and it takes us longer to come out of recession. The lack of research and development is a problem for Scotland in coming out of recession. Committee C, which I am on, will look at marine technology and energy. So far, we have not seen anything really great, so if you could send us something that would be helpful.

There is a knock-on effect. Being Scottish, we cannot get away from the referendum. Given the lack of research and development and the fact that it takes Scotland longer to come out of recession, where do we go? Only yards down the road, in my constituency, we have already had an increase in unemployment of more than 50%. If we continue as before, I can look forward to a lot more as the days go on.

The Co-Chairman (Mr Joe McHugh TD):

Thank you, John. We will hear James Dornan, followed by Joyce Watson.

The Lord Gordon of Strathblane:

Do you agree that the debate is not about independence? In my view, Scotland is already independent in that no one is stopping us from doing what we want to do. The argument is really about the terms on which we renew our marriage vows with England.

Looking at the article in *The Sunday Times* and the misleading headline, would you not also agree that an almost inevitable consequence of Scotland's becoming independent would be the loss of 48 Labour MPs at Westminster, thus ensuring a Conservative Government in all situations, bar landslides? A Scottish Government

that was forced to compete with that would have to undercut it and produce less public expenditure than we have even at the moment.

The Co-Chairman (Mr Joe McHugh TD):

That was not James Dornan, but Lord Gordon of Strathblane.

The Lord Gordon of Strathblane:

I am sorry—I misheard you.

The Co-Chairman (Mr Joe McHugh TD):

No problem. We are very flexible up here.

Mr James Dornan MSP:

I am one of the “separatist running dogs”, so you will not be surprised that I want to return to the referendum. I heard the point that was just made and am shocked to hear that Scotland is already independent. I have just spent a weekend here trying to persuade people to keep on fighting for independence.

On the point about the STUC, there is no doubt that there is a great deal of difficulty. I heard Joe Benton say that it is an issue for the whole United Kingdom. There is no doubt that it is an issue that affects the whole United Kingdom, but it is an issue for Scotland. I would have thought that in an Assembly such as this, everybody would respect that the decisions that have to be made about Scotland should be made here in Scotland.

However, considering what is going on just now in Westminster and what we have been hearing from the other political parties, does not the STUC recognise that only with independence can the workers be better off? We have already shown that in how the Scottish Government is looking to protect low-paid workers in Scotland.

Mrs Joyce Watson (AM):

The only thing I am going to say on independence is that the decision will be taken here, but we failed to in Wales and I am from Wales. That is as far as I am going to go on that.

We talked about—and I was pleased to hear about—equality in the labour market. The point was made that the labour market has to recognise what happens in the workplace. However, the workplace is varied in terms of sectors, locations and gender segregation.

I am chair of the all-party group on construction; 1% of women work in that industry and that remains unchanged. However, we are able to use some of the levers that we have at our disposal—it has been mentioned this morning in relation to devolution. The Welsh Government has a union learning fund that allows people to have in-job training and upskilling. People may want to comment on that.

A socialist Government can also use social clauses in procurement contracts. There are good examples of that being done in Wales. We have to be clear that if the public sector is the largest employer and that is the name of the game, we have to use the tools that we have. Social clauses in procurement are among those tools and will assist people, depending on how the clauses are drawn up.

I have seen some good projects where local people are employed and trained and benefit from the limited amount of capital expenditure that is available. That does not mean that we do not lever in some private investment as well; it means that we actually benefit from it. In Wales we have a public sector duty to equality and that changes the game.

I have heard an awful lot this morning about deregulation and about how market forces will solve all our problems. It was deregulation that got us into this and—in my opinion—it will not be deregulation that gets us out of it.

Mr Paul Flynn MP:

The vote on independence will take place in two years and probably people will vote on how they view the Scottish Parliament and the United Kingdom Parliament. After

another two and a half years of the present coalition building its ineptocracy, there is a real possibility that Scotland will vote for independence. One can understand why.

That will have a knock-on effect in Wales—it will change the weather on that. We should take a view on it that is more flexible and more analytical and look at results from countries that are similar in size to Scotland, particularly the Baltic states that have become independent in recent years. I believe that they have all gained from escaping from the dependency culture of leaning on a Big Brother state next door. There has been a gain in terms of those countries being economically satisfactory and in terms of the sense of wellbeing among the people who live in countries such as Estonia and Latvia. It is interesting to see how smaller nations seem to be coping possibly more successfully with the credit crisis than others.

I believe that there is another sense in which Wales and Scotland see the world. It is increasingly depressing to see a Government in Westminster insisting on being wider still in the world and rejoicing that the UK punches above our weight. That means dying beyond our responsibilities. I believe that, if Wales and Scotland were independent in the future, there would be no possibility that they would independently decide to join the United States in attacking countries such as Iraq, Iran and Afghanistan.

The Co-Chairman (Mr Joe McHugh TD):

I remind members that I still have a conundrum and that time is against us in a big way. The West Lothian question is coming up in the afternoon.

Mr Arthur Spring TD:

I am a Labour Party TD from the Republic of Ireland.

To bring two thoughts together, I think that Grahame Smith pointed out that, since 2008, there has been a £24 billion reduction in research and innovation spend. Mary Scanlon eloquently put across the idea that a younger generation is not being utilised and that there is latent human capital there. Is it time for the trade union movement to look at whether there can be a risk-reward element not just in people's day-to-day jobs, but in trying to find a small section of the workplace that focuses on research and innovation? A reward could be given to employees should something be generated out of that. Even for labour-intensive activities, perhaps two hours of the

week could be focused on research and innovation rather than on achieving a direct return. That would help people to utilise their energies, but it is above and beyond the norm. It is a different model, but I wonder whether it has been thought about, because there is a gap between where the research and innovation are and where the market and the generation that is looking to realise its full potential are.

Mr Willie Coffey MSP:

I think that Grahame Smith mentioned the three broad camps that might or might not support independence for Scotland. He mentioned the trade union membership, and I would like to ask about what he said.

A substantial number of trade unionists are already members of the Scottish National Party and already support independence. I am quite encouraged by that.

I do not know whether Grahame Smith was in when the secretary of state made her remarks about the devolution of further powers to the Northern Ireland Assembly and the Scottish Parliament in relation to air passenger duty and corporation tax. It seems to me that she said that the UK Government is just about to freeze everything and that Scotland will go into limbo for two years. The likely impact of that, particularly in terms of corporation tax and competitiveness in Scotland, might be of concern to the trade union movement. I would like to hear Grahame Smith's view on that.

I am glad that Grahame Smith dismissed the nonsense that has been spoken in Scotland about business uncertainty about independence. It is totally untrue, and we have only to look at the comments by the chief executive of Diageo from only a couple of weeks ago, when he said that independence does not give Diageo any problems whatever. Diageo's representatives will be at the event tonight.

My last comment is on Grahame Smith's comments about polls or snapshots. He said that, if it is likely that there will be a Conservative UK Government, support for independence will be 52 per cent. The poll also showed that support for independence would increase if it is likely that there will be a Labour Government in the UK.

Mr Oliver Colvile MP:

Thank you very much for coming and making your presentation, Mr Smith. I am the Conservative Member of Parliament for Plymouth, Sutton and Devonport, which is

the home of the Royal Navy. What is the view of the Scottish trade unionists on an independent Scotland seeking to be nuclear free and on how that would deskill Scotland because it would then lose a lot of nuclear engineers?

Mr Jim Dobbin MP:

I am a Scot with a constituency in the north-west of England, where my predecessor was Joel Barnett—Lord Barnett. If independence does not happen, how will an adjustment to the Barnett formula affect Scotland? [*Laughter.*]

The Co-Chairman (Mr Joe McHugh TD):

I thank those members. Last is Jim Sheridan.

Mr Jim Sheridan MP:

I will be extremely brief, Co-Chair, but to answer my colleague from the Scottish National Party, Diageo's products are made only in Scotland, so it cannot go anywhere else—that is why it does not have a problem with independence. [*Laughter.*]

I fully support my colleague Mary Scanlon's view on the business community, which needs a five-year plan in order to plan ahead. If it does not get that, there will be lack of investment.

I assume that we are waiting until 2014 for the independence referendum to allow the Sean Connerys and all the rest of the people who do not live in the UK—the tax avoiders—to tell us what a wonderful country Scotland is, although they do not want to live in it.

I am somewhat concerned about what Grahame Smith said about the coalition Government introducing legislation to deal with trade unions and to undermine them. He has probably heard it said that if low pay was the way forward for the economy, Bombay would have been a boom town, which is certainly not the case.

A number of large companies are good and progressive companies that recognise the value of trade unions. However, am particularly concerned about certain large

companies. The trade union Unite has just completed a survey of pay-day loan companies—in particular Wonga.com Ltd, which makes millions of pounds of profit. The chief executive of Wonga.com is the man who proposes the introduction of legislation that would undermine the trade union movement in the whole UK. It seems to me that there is hypocrisy there, because someone who makes millions of pounds out of poor and vulnerable people now wants to bring in legislation to make people even more vulnerable than they are just now.

The Co-Chairman (Mr Joe McHugh TD):

I thank the members. I now ask Grahame Smith to do the impossible. Members have asked specific questions, but we must wrap this up in two or three minutes.

Mr Grahame Smith (Scottish Trades Union Congress):

I will not be able to answer all the questions, and I am not even going to try to answer the Barnett question. My view on the Barnett formula is that we should just shut up about it. We in Scotland do okay out of Barnett. The Welsh always complain about that; my colleague from the Wales TUC tells me that every time I meet him.

I did not answer the earlier question on corporation tax, which came up among the other issues, but I will answer it now. We want to avoid any prospect that tax competition will emerge from devolution of corporation tax. I have talked at length with colleagues in the Republic of Ireland about the role that corporation tax played in the Celtic tiger economy. If we look at the evidence about what attracts people to invest in Scotland, the level of taxation for almost all sectors is very low down on the list, whereas location, language, skills and Government support are very prominent. I do not believe that devolved corporation tax would give the competitive advantage that others seem to think it would give.

I did not hear what the Secretary of State for Northern Ireland said, but it seems to me that it is not illegitimate to say that we have a debate in Scotland about having either devolution of further powers or independence. The Scottish population as a whole has to join that debate, which means that issues such as further devolution of powers over corporation tax need to be properly debated and discussed, which can be done in the context of the referendum.

A number of colleagues mentioned issues around investment and R and D. Scotland sits ninth for business investment out of 11 UK nations and regions. I think that we suffer from the fact that we do not have headquarters functions here. I do not think that there is any easy answer to that. Our public sector and universities are doing an incredible amount of work in R and D, but the real challenge is to commercialise that in a way that creates jobs.

There was a question about whether we should have a risk and reward approach around innovation. As I said earlier, my concern when we talk about innovation is that we ignore what I would call process innovation, as opposed to product innovation. A lot is going on in workplaces around investment in skills and how they are used and how work is organised, but there is not enough of that. Such work involves unions in interesting and challenging conversations with management. We have done some case studies on that and have built on our union learning work, which shows that there are challenges in how employers use the resource that is available for pay, training and other elements; it recognises the challenges that exist.

I will finish on the independence stuff, if I may. We use Scottish union learning a great deal to address some of the equality issues, and we have been working as part of a project with our skills agency to address issues to do with gender stereotyping. We also have a project called close the gap—I think that there may be a similar project in Wales—which is looking specifically at the gender pay gap and how it can be reduced. That is about unions and employers working together to undertake equal pay audits and to tackle some of the challenges in recruitment and retention that result from not addressing the gender pay issue.

As far as defence is concerned, the STUC has consistently had an anti-Trident position—we want Trident missiles to be taken out of Scotland. We have not been blasé in adopting that position; we have conducted research with the academic community about the jobs implications. There are, of course, arguments about figures, but there are solutions relating to defence diversification that we do not pay enough attention to and which would address how the skills that would inevitably be lost, should Trident be removed from Scotland, could be redeployed and reused. It is not an issue of which we are ignorant. The interesting position on NATO and Trident that

the SNP took at its conference might well have ramifications for what happens post-independence—if Scotland becomes independent—as regards the future of Trident on the Clyde.

On Wonga.com pay-day loans, I was part of the Church of Scotland's Commission on the Purposes of Economic Activity, which looked at the role of pay-day loan companies. It came out of the commission's work that although powers over regulation of such organisations rest at Westminster, there are things that the Scottish Government can do. I think that it would be worth the Scottish Government's while to look at what it did on, for example, the smoking ban and to consider whether there are measures that it could take to reduce the prominence of such organisations and to hinder them in advertising their services to what are—as Jim Sheridan said—vulnerable communities.

I know that I am going way over time, but I want to deal quickly with the independence issues. It was asked whether the debate is about independence. As I said earlier, what we have been saying about our approach to the debate is that although the context for it is a referendum on independence, we are trying to engage our membership in civic Scotland in a debate about what is important to the people of Scotland and what their vision for Scotland is, irrespective of what our future relationship will be, not just with England, but with Wales and Northern Ireland—the other countries of the United Kingdom.

On the political impact, which is not debated enough, I point out that in the period since the second world war, there has been only one election—I think it was one of the 1974 elections—that Labour would not have won had the Scottish Labour MPs not counted. That was pointed out to me by one of my colleagues; I did not do the calculations. It seems to me that in politics there tends to be a swing back and forward. People get fed up with one Government and they vote for another Government that is, to all intents and purposes, on the opposite side, ideologically. Therefore, I am not entirely convinced about the argument on the effect of independence on UK elections, but it needs to be debated because it is inevitable that if further powers are devolved, issues of representation will come up.

The final question that I will address is whether people will vote for independence because they are concerned about the future direction of a UK Government and its ability to make social progress, or to respond to people's desire for social progress. I will say two things about that. First, I think that people will take the view that independence is for life—not just for Christmas. They will be concerned about the direction that the UK Government takes and may well be concerned about the direction that a future Labour UK Government might take, but they will believe that they should continue to struggle with their colleagues in the rest of the United Kingdom to try to make social progress. Secondly, there is no uniform view in the “Yes” campaign around the social progress agenda. Some people in the “Yes” campaign will not take the same view that, for example, the First Minister and the SNP have taken on defending the fabric of social progress in Scotland. They will want to see a different type of Scotland, and that is a challenge. That issue will come out in the debate, and I do not think that it is particularly clear cut.

As far as I am aware, no unions have committed themselves to supporting the cause of independence. Unions are, quite rightly, having a genuine discussion with their membership and are not taking the views of their members for granted. That is important. It is what the STUC is trying to do in the debate and will continue to do until 2014. People can debate whether 2014 is too late, but the fact is that that is when the referendum will be held. My view is that we should put aside the process issues because the people of Scotland want to talk about the real issues that matter to them and they want to know how those issues would be affected by any further constitutional change.

I have tried to cover all the issues that I have been asked to cover. I apologise if I have missed anything. I thank you very much for the opportunity to come and speak to you today. I have thoroughly enjoyed the conversation. [*Applause.*]

The Co-Chairman (Mr Laurence Robertson MP):

Thank you very much for coming to talk to us today. You have given us a comprehensive speech and have on occasions answered questions that could be said to be slightly beyond your remit. We greatly value your opinions.

Tourism in Scotland

The Co-Chairman (Mr Laurence Robertson MP):

We come to the final speaker of the morning. I apologise for the lateness, but a great deal of interest has been generated in the various debates this morning. Continuing the theme of the Scottish economy, we have Mr Riddell Graham, the director of partnerships at VisitScotland. VisitScotland is what used to be called the Scottish Tourist Board, and tourism is a key component of the Scottish economy. I, for one, find Scotland a beautiful place to visit and I visit it regularly. We will take some questions when Mr Graham has finished.

Mr Riddell Graham (VisitScotland):

I thank the Co-Chair and Members for the opportunity to make a presentation on the importance of tourism in Scotland. I am conscious of the fact that I am the one speaker standing between you and your lunch, so I will be as quick as I can be. I will talk about three things: I will talk about the importance of tourism to Scotland and some of its features and challenges, I will say a wee bit about VisitScotland—the organisation that I represent—and what we do, then I will finish by mentioning some opportunities that I see for clear collaboration between Scottish tourism and tourism in the other countries that are represented here today.

Tourism, when taken in combination with the income from tourism-supported jobs is, without doubt, Scotland's most important industry. Unlike other industries, it touches every part of the country and it offers employment opportunities at all levels. Uniquely, the experience can be delivered only in Scotland: you have to come here to experience Scottish tourism; it cannot be delivered elsewhere.

Tourism has been here for several hundred years and is, as a result, sustainable—it is here to stay. In VisitScotland we prefer—rather strangely—to talk not about “tourism”, but about “the visitor economy”, which takes into account direct and indirect spend and the impact of day visits. When those two are added together, tourism is worth £11 billion to the economy and supports 270,000 jobs, which is almost 10% of people who are employed in Scotland.

Where do our visitors come from and what do they look like? We have 16 million visitors a year—85% are from the United Kingdom and 15% are from overseas. However, that masks the important spend by overseas visitors—the numbers double in terms of spend. The UK is very important to us for visitor numbers. Internationally, the United States of America, Germany, the Irish Republic, France, Spain and the Netherlands follow close behind.

In recent years we have faced a series of challenges—as other countries have—including the weather and the ash cloud. It is encouraging that even in challenging economic times, Scottish tourism has remained resilient. In fact, over the past three years it has continued to grow slightly.

As a result, VisitScotland is encouraged to see that tourism has been identified as a key driver of the Scottish economy, that it is one of the key sectors that has the potential for growth, and that it contributes to the Government's overarching sustainable economic growth agenda. We have benefited from particularly favourable support from the Scottish Government, and we have received widespread cross-party recognition that tourism is a key driver of local economic activity.

We have a new industry led and developed—and soon to be industry delivered—tourism strategy for Scotland that was launched in June and which identifies the key markets that we need to attract and nourish. There is greater potential than ever before to develop tourism, so above all the new strategy lays down a challenge to the industry that it must change across a range of areas in order for tourism to be successful. Those areas are skills, customer service, turning assets into experience, exploiting our natural heritage, culture and history and, of course, our towns and cities.

However, there are a number of external barriers in the way of achieving effective growth. Those are identified in the strategy as requiring attention, too. I suspect that most of them will not surprise Members of the Assembly. They are the high level of value added tax, the air passenger duty situation, difficulties for people from various countries around the world applying for and getting visas to come here, the challenge of digital connectivity, and the exchange-rate situation. It will be interesting to hear

from colleagues from the Irish Republic—which has, it seems, tackled some of those issues head on—about the impacts of the changes that were made there.

Despite all the challenges, there are some real positives in terms of investment. The National Museum of Scotland in Edinburgh was totally refurbished at a cost of £46 million and there has been an £80 million extension to the Edinburgh International Conference Centre, which is due to open in the spring of next year. Historic Scotland is spending £12 million on refurbishment of the palace at Stirling Castle, and a new Waldorf Astoria hotel, based around what was the Caledonian Hilton Hotel in Edinburgh, was reopened earlier this month. That came on the back of huge investment in the Sheraton and Balmoral hotels. In the spring of next year we will have the £125 million Hydro Arena on the banks of the Clyde in Glasgow, which will expand the Scottish Exhibition and Conference Centre complex by 12,500 seats. Both of which are important venues for the MOBOs—the music of black origin awards—in 2013 and 2015. In 2014 we will have the Commonwealth Games.

Those of you who know my chairman will know that he is, above all, a salesman. Things that he has identified in the past two or three years have been at the heart of our success in developing themed years. He coined the phrase “The Winning Years”. In 2012, we had the Olympics, the Year of Creative Scotland and the launch of Disney Pixar’s film “Brave”, which is based on a fictitious Scotland. I had hoped to show Members some scenes; if you have not seen the film, I recommend it. In 2013, we will have the Year of Natural Scotland, which will focus on Scotland’s natural assets. Those are once-in-a-lifetime opportunities to put Scotland on the map in a way that we have never been able to do before, and to welcome the rest of the world.

I mentioned “Brave” for two reasons. First, the film is the first time the Disney Corporation has worked with a national tourist board to develop joint promotional activity. The film was premiered in Los Angeles in June and is currently showing in 75 countries throughout the world, using a huge \$300 million budget. We have been working very closely with Disney to promote this country by saying to people that they should visit Scotland once they have seen the film. Alongside that is a new television advert showing when the film is shown, a huge international marketing

campaign on benefiting from this unique opportunity, and there are web and industry toolkits.

I will take a quick look at VisitScotland itself. Our core objective is very straightforward and clear; it is to maximise the sustainable economic benefit of tourism in Scotland. We do that in three main ways. First, we are looking at the opportunities that arise and trying to be fleet of foot. The Disney film is a very good example of how we are, instead of our waiting for something else to happen when an opportunity comes up, grabbing that opportunity and turning it into a real benefit to tourism.

Secondly, we are working in partnerships. We recognise that tourism in Scotland is not just about VisitScotland; it is about working with partners in the public and the private sectors to turn opportunities into reality.

Thirdly—and above all—we are seeking to develop tourism sustainably. By that, I do not mean just environmental sustainability. We always talk about the three-legged stool: environmental sustainability, economic sustainability, and social and cultural sustainability. If those are out of kilter, the whole thing simply does not work.

As an organisation, we are what is grandly called a non-departmental public body and we have approximately 700 staff. Unlike our counterparts in other parts of the United Kingdom, we run an information centre network that has been in existence for more than 20 years. We have 100 centres and a budget of around £65 million, and we contribute about £450 million annually to the Scottish economy.

I will not bore Members with the detail of each individual department, but I would like to draw your attention to one particular sector that we are very proud of and which works particularly well in Scotland—our sister organisation, EventScotland. It was set up a number of years ago to develop international, national and regional events and to attract such events to Scotland as key drivers of Scottish tourism. EventScotland has been hugely successful in attracting new events and in supporting and developing existing events, and it has been a key delivery mechanism for the themed years. We now have the world mountain biking championships, the Music of Black Origin awards, and EventScotland was, of course, instrumental in working

behind the scenes on the Ryder Cup and the Commonwealth Games. We also have international and world gymnastics and cycling events. Just last Friday, we submitted our bid for the 2018 Youth Olympic Games to be based here in Glasgow. So, there are some particularly fantastic achievements on the events front that are important for developing tourism.

Tourism is not just about leisure tourism and holidays—it is also about business tourism. What better example to identify than this city, which depends hugely on the business tourism, meetings, incentives, and conferences that represent £1 billion of the £4.5 billion that overnight visitors spend in the country. EventScotland is integral to promoting Scotland as a place to live, to work, to visit and to invest. Conferences are key to the development of other industrial sectors and, of course, business tourists who come for conferences are encouraged to come back later as leisure tourists.

I have been in tourism for a long time, and I never believed that we would promote Scotland to the Scots, but it is undoubtedly one of our recent success stories. That horrible word “staycation” has helped to promote the country to people who live and work here and to boost Scottish tourism during the past two or three years. We now have a stand-alone campaign to encourage Scots to explore their own country. It is really quite surprising to see how many Scottish people had forgotten about the opportunities to holiday here.

I will finish off with some examples of opportunities to consider around joint collaborative work. We have a quality assurance scheme of which Members are probably aware. On the outside of most hotels in Scotland is star-rating scheme plaque. The scheme has existed since 1985. Currently, 20 countries throughout the world are looking to use the Scottish experience and to adapt it for their use. We have developed a quality assurance scheme for Namibia, we are delivering in west Sweden a scheme that is based on the Scottish model, and we are delivering the whole quality assurance scheme for the Northern Ireland Tourist Board as we speak. We have also had interest from countries as far afield as Canada, Norway and Botswana, which are asking us to help them.

Earlier this year, I had the pleasure of sharing at a big exhibition in Birmingham a platform with the Republic of Ireland Minister for Transport, Tourism and Sport, who

told me that the Irish had stolen the idea of the Homecoming but were not going to make the mistakes that we had made and so theirs is going to be so much better. I will be interested to hear how the Homecoming goes in Ireland this year.

Let me mention now four other areas in which I think we can share experience, given the commonality among the representation here today. First, on planning law, which is often seen as a barrier to the development of tourism, we intend to launch early in the new year a new national tourism development plan for Scotland that will help local authorities to make more informed decisions about the importance of tourism to the country. Interestingly, the current national planning framework for Scotland does not even mention tourism. We aim to influence that both nationally and regionally, so we would be delighted to share our experience with others here.

Secondly, we are also working with local destination organisations, which I know is something that my tourism colleagues in Wales and Northern Ireland are challenged with on a regular basis. We can share some good experience of the work that we have been doing on that.

Thirdly, we are working on promoting insights from the research that we carry out. We spend a lot of money each year on research, but we always ask the question “So what?” What does the research mean for the country and for individual businesses? What does it mean in terms of the things that we need to do in order to be more efficient and effective? Our “tourism intelligence Scotland” model may be something from which other countries could learn greatly.

Finally, undoubtedly one of the great success stories in terms of local delivery—based in Glasgow, where today’s conference is being held—is our “Glasgow service with style” initiative, which we have developed jointly with Scottish Enterprise and is now seen as an exemplar. It is about getting people to focus on customer service at all levels. In the taxi from the railway station to the hotel, I was interested to see how the taxi driver immediately engaged with me; that initiative has been one of the success stories. “Glasgow service with style” is about taking an holistic approach to tourism. It is not just about accommodation or visitor attractions or business needs; it is about taxi drivers, it is about public transport and it is about the people whom one meets in

the street. We have an incredible example of engagement with all those parts of tourism here in Glasgow, and we are very keen to develop that throughout the rest of Scotland.

I will leave it at that. I am conscious that I have curtailed my speech, but I am also conscious that Members have a very busy agenda and that lunch is waiting. I will be only too delighted to answer questions.

The Co-Chairman (Laurence Robertson MP):

Thank you very much for a very interesting speech. I am pleased to hear of the intention to promote Scotland to Scottish people. I never cease to be amazed that I have seen so much more of Scotland than have many people who live here—although I suppose that one could say that about people throughout the United Kingdom.

To start with, I will take questions from Ann Phelan TD, then John Scott MSP and then Lord German.

Ms Ann Phelan TD:

Mr Graham will be pleased that I will make a comment rather than ask a question.

Prior to the Assembly, I took the opportunity to travel to the Scottish Highlands. From Friday evening to yesterday evening—we arrived here just in time yesterday evening—we covered more than 500 miles in the Highlands. I was mightily impressed. Given that you are looking to develop the tourism sector, I am tempted to say that I did not find anything broken, so please do not go overboard by fixing it. I have always said that one of the huge mistakes that we in Ireland made was that we built a hotel at almost every crossroads. With that, we collapsed one of the strongest indigenous industries that we had in the tourism sector—the bed and breakfast industry. Every B and B was a small or medium-sized enterprise and the people who ran them employed themselves and sometimes their sons and daughters. I am delighted to see that Scotland has not ruined that sector in any way.

My other point is about over-digitalising your remote areas. You might want to think about that issue. People sometimes go to `remote areas for peace.

I also came across something that bucks the trend that was mentioned by Mary Scanlon. We visited a hydroelectric station up in the Highlands, where we met three engineers who happen to be women.

The other thing that you could probably promote a little bit better is the Caledonian canal and boating on the lochs. I was a little bit surprised that I did not see more boating. It was one of the most beautiful weekends of the year, but there were only a small number of boats on the water, which is surprising given that there are so many lochs.

Mr John Scott MSP:

I thank Mr Graham for his comments. Although you noted many areas of success for Scottish tourism, you did not mention how Scotland Food and Drink and the food and drink sector in Scotland contribute to the Scottish tourism product, given the international cuisine that we have to offer and the worldwide association of whisky with Scottish tourism. How do you see that sector developing?

The Lord German OBE:

Thank you very much, Mr Graham. I will ask about the people who come to Scotland. Clearly, if you have a tourism product you have to get visitors to come here. How many of your visitors come to Scotland from other countries outside the UK without going anywhere else in the UK first? What numbers of visitors to Scotland do you get coming from the UK? I assume that you were talking about the United States when you mentioned visas: can you say what the problem is and give a total for the number of visitors who need visas to get into the UK?

Finally, any good tourism product needs refreshing. The product that you have described is largely based on the physical assets—the great scenery and so on. How do you refresh your physical assets?

The Co-Chairman (Laurence Robertson MP):

Thank you very much for those challenging questions. Would Mr Graham like to respond?

Mr Riddell Graham (VisitScotland):

Surely. I will answer John Scott's question first. We have a very close working relationship with Scotland Food and Drink and regularly meet James Withers, its chief executive. Early in the new year, we will launch a new food and drink grading scheme for the whole of Scotland. One element of that will be to recognise local provenance and local sourcing of fresh produce as part of the menu offer. Food and drink is clearly a huge element of our overall promotional activity. Last year and the year before last we had the themed Year of Food and Drink. That theme will be a key feature of 2014.

John Scott specifically mentioned the whisky industry, which is massive for us. In certain key markets, it is the main reason why people come to Scotland. We cannot ignore that. Interestingly, last week, we were doing a piece of work on visitor numbers to distilleries in the north. As Members know, most have their own visitor facilities and their visitor numbers in recent years have been very impressive. I had to rush through my presentation a wee bit, but I assure Members that had I had more time I would have highlighted food and drink as a key attractor that we want to develop.

On where our visitors come from, a slide in my presentation showed that 15% of the 16 million visitors that we get come from overseas. However, that masks the very important fact that they account for a third of the total spend. In other words, it is not just about the number of visitors but about what they do when they are here. Of course, the figures are not surprising, given that they stay longer and are therefore encouraged to spend more money. The average UK visitor spends just over £200 on their trip while the average overseas visitors spends more than £600. I rattled this off quickly earlier, but our most important market is—and has been consistently in all the years I have worked in tourism—the USA, followed by Europe. The numbers fluctuate depending on exchange rates, the strength of the local economy and so on, but Germany and France are right up there and, as I said, the Republic of Ireland is also hugely important to us.

I mentioned visas, because the industry has told us that they are proving to be a particular challenge with the likes of the BRIC—Brazil, Russia, India and China—

countries, and with India and China in particular. It would appear that there are two issues: first, the visa application has to be filled in in English and secondly, it has to be submitted to a central point, which involves a significant amount of travel. All of that, of course, adds to the already quite significant costs of getting here in the first place.

On how many visitors arrive directly in Scotland instead of arriving through the main hub of London, given the limited number of direct flights into Scotland it is—whether we like it or not—a fact that most visitors arrive through the London hub. However, I can say that every time another direct flight is introduced it has an immediate impact on the local economy. One great example is what happened when Ryanair introduced new flights into Prestwick from Sweden two or three years ago; the impact on the local economy through golf was immense, with people flying in to play on the fantastic courses on the Ayrshire coast. We recently launched direct flights into Edinburgh from Spain; however, Historic Scotland was not aware that they had been introduced and could not understand why one day all these Spanish visitors suddenly appeared at Edinburgh Castle. It was because it was the first day of the flights. Without a doubt, the more direct flights we can get into Scotland, the more we will stimulate international visitors.

The Co-Chairman (Mr Laurence Robertson MP):

As we are now running on borrowed time, I appeal for brevity from Members who wish to ask questions. I call Paschal Mooney, to be followed by Steve Rodan and Arthur Spring.

Hon Steve Rodan SHK:

When we compile and analyse visitor figures to the Isle of Man, we consciously distinguish between business and leisure visitors in the hope of converting the former into repeat leisure visitors of the future. Do you do the same and, if so, how?

The Co-Chairman (Mr Laurence Robertson MP):

You did a very good impersonation of Paschal Mooney, Mr Rodan. [*Laughter.*]

Senator Paschal Mooney:

I have no difficulty in deferring to my colleague, Co-Chair.

In the interests of brevity, I simply note that the figures are staggering. I think that Ireland, whose population is similar to Scotland's, gets six million visitors, while you are getting 16 million. That indicates the scale of the challenge facing us.

I am curious about an issue that comes up constantly in Ireland. How dispersed is your tourist population? Where do they go? Do they tend to go to the bigger attractions? Do they disperse themselves across Scotland and, if so, how have you managed that trick? The problem for us over the past number of years has been that people come into Dublin and stay on the east coast. The west coast is like a foreign country, even though we have excellent infrastructure, our road network has significantly improved and the tourist product in the area is very similar to that in Scotland in terms of natural beauty and so on. Although the west of Ireland has many attractions, the difficulty lies in getting the tourists dispersed to there.

Mr Arthur Spring TD:

On promotion of tourism activities on the islands of the United Kingdom, I know that the Welsh tourist board is promoting in Ireland, but I do not see a lot of similar activity by the English or Scottish tourist boards. I would like to know what VisitScotland's strategy is on that. Secondly, is there capacity for Ireland and Scotland, or the other countries, to consider cross-promotion to bring people for golf or other activity-based tourism, which is the lead growth sector at present?

Mr Riddell Graham (VisitScotland):

We separate absolutely business and leisure tourism. We have a separate business tourism unit with a stand-alone budget, which promotes specifically to that market and does nothing else. The unit specifically targets what it calls MICE, which stands for meetings, incentives, conferences and events. In all our research, we ask the specific question, "What was the main purpose of your visit?" If the main purpose was business, that is recorded.

However, the two aspects are linked. As we have just heard from the lady from Ireland, people who come on a business visit tend to come for leisure, too, or can be encouraged to do so. We have a programme through which we are actively trying to

get the people in our database of people who come here for business to consider having a holiday with their family here in the future—a leisure visit. The two aspects are important. As I said, £1 billion of the £4.5 billion that comes from overnight stays comes from business tourism, so the sector is significant and growing. It was hit badly by the downturn in the economy, but it is coming back.

The question about dispersal is a good one. To give an idea of the numbers, 25 per cent of visits are to Edinburgh; just under 25 per cent are to Glasgow and the rest are to the rest of Scotland. We have a great advantage in that there is an iconic area called the Highlands. Many people who come to Scotland do so because of the Highlands experience. About 25 per cent of our visitors go nowhere near Edinburgh or Glasgow, but instead go straight to the Highlands. It often depends on whether people have been before. Many first-time visitors, particularly international visitors, will come only to Edinburgh or Glasgow as part of a wider tour of Europe or the United Kingdom, but those who come back, having experienced the cities, are keen to move out of them.

We are fortunate in that we have the Highlands, which are a key attraction in their own right, so there is dispersal there. I worked in the Borders—the area south of Edinburgh—for 25 years. The people there always used to say that VisitScotland promoted only the Highlands and nothing else. People in Edinburgh, however, say that VisitScotland only ever promotes Glasgow, and people in the Highlands say that the area never gets any visitors from VisitScotland because it always promotes the cities. From a marketing point of view, we cannot win. All I can talk about is the reality, which is that a quarter of our visitors go to our rural area, which I think is because of its iconic image.

We do a limited amount of promotion of Scotland in Ireland. Most of it tends to be what is called below-the-line activity that involves a database of people with whom we have already engaged. That will involve offers—perhaps in association with carriers such as airlines or ferry companies, in which we offer a deal, part of which involves a holiday in Scotland. However, I am sure that we could do more on that.

The final question was on cross-promotion. There is a good opportunity to cross-promote, and there is absolutely no question but that we could do more on that. My son, for example, lives in Denver, in the USA, and had a pretty awkward journey to

come to visit me in Scotland in June. He said that it would have been easier for him to fly to Ireland and shuttle across.

There is a huge opportunity for the United States market, particularly around the Ryder Cup. We have similar products—although I would always argue that our golf is better than Ireland’s—and a huge opportunity to link the two. The answer to the question is absolutely yes—there is an opportunity for cross-promotion.

The Co-Chairman (Mr Joe McHugh TD):

We have time for three quick final questions from Patrick O’Donovan, Mary Scanlon and Frank Feighan.

Mr Patrick O’Donovan TD:

Mr Graham mentioned in passing Scotland’s experience of the Year of Homecoming. Do you have any advice for the Irish as we prepare for the Gathering next year? What would you tell us not to do?

Ms Mary Scanlon MSP:

I am from the Highlands and want to remind you that Scotland does not stop at Glasgow and Edinburgh. I thank Ann Phelan and Paschal Mooney for raising that issue.

In about five or 10 years , there will be more than 500 wind farms, some in the area that Ann Phelan mentioned, which are of the most beautiful areas in Scotland. What is VisitScotland’s approach to the effect of wind farms on our iconic scenery? ‘‘

My two colleagues here have asked me also to ask you your opinion on air passenger duty.

Mr Frank Feighan TD:

I have two questions. On the 25 per cent of visits that are to Glasgow, are not most of those made by people coming to the Celtic and Rangers matches? [*Laughter.*] I will not go, okay?

Secondly, I come from Boyle, which is the home of “Moone Boy”, the new Sky 1 comedy. It is a small town of 2,500 people. Just watch “Moone Boy”. Chris O’Dowd is a personal friend of mine. How would you market the town in order to capitalise on that series?

Mr Riddell Graham (VisitScotland):

The situation with the Year of Homecoming and the Gathering is quite interesting. There has been some confusion between the two events.

As part of our Year of Homecoming 2009, we had a weekend event called the Gathering, which attracted the clans from all over the world. It was a huge success in terms of the profile and the numbers of visitors that it attracted. Unfortunately, it did not quite work out financially. There was a failure to recognise that Homecoming was a year-long programme of events, and not just that particular weekend.

The Year of Homecoming encouraged people to work together in a way that we had never envisaged before. It was not just about the visitor profile and attracting people in the first place. The idea of attracting the diaspora and bringing those people to the country is beneficial. In two weeks I have a meeting with the Caribbean Tourism Organization, which wants to copy exactly our example. We are happy to share our experience and to talk about what went right and what did not go right. Basically, it is about setting your sights at the right level and not being too ambitious in year 1, and then building on that for the future.

I say to Mary Scanlon that I am conscious of the Highlands. We promote the Highlands as a key element of all our activity. The area is very much part of our web and print presences.

Wind farms are a hugely emotive issue. VisitScotland was on the front page of *The Sunday Post* yesterday in connection with the issue. Our policy has not wavered in terms of our approach; we are not against renewables and we recognise their importance in terms of Scotland’s long-term energy strategy. However, we also recognise that, in some parts of the country, there are sensitivities around the landscape or the potential negative impact on tourism. We have never shied away from the idea of the potential for negative impact—the reporting in yesterday’s

Sunday Post was inaccurate in that regard. We have commented on more than 40 applications in the past couple of years in ways that have express concern about potential negative impacts.

The only thing I can say is that we can find no evidence of a direct link between wind farms and a negative impact on tourism. I attended the seminar that was held by the Scottish Tourism Alliance, at which a professor from the University of Edinburgh who has carried out extensive research across the United Kingdom made it clear that she can see no direct link between the two. That is not to say that there is no link; it is to say that we need to be careful about suggesting that there is one. Scottish Natural Heritage has a key role in identifying areas where any impact might be minimised, and we would work closely with it in every case.

My view on the APD is pretty clear. Anything that adds costs or acts as an additional tax on tourism cannot be right, and would be negative from a Scottish tourism point of view with regard to the potential benefit of visitors to the country.

I cannot comment on whether the 25 per cent of visitors who go to Glasgow are all Rangers or Celtic supporters. All I can tell Members is that, the Scottish Exhibition and Conference Centre just down the road is hugely important and hosts major events as well as conferences and meetings. This city does conferences and meetings so well, and that is the bulk of the visitor throughput. Interestingly, the city is now benefiting from weekend leisure breaks in a way that it did not before, and the mix of business and leisure tourism works really well.

Mr Feighan made a really good point about promoting small towns. The new tourism strategy for Scotland mentions the need to re-energise our towns and cities, because they are so important. They are all different and unique, but some are struggling with regard to their high streets and streetscapes.

We are working with local destination organisations and we have a process—which I know exists in other parts of the United Kingdom—for setting up business improvement districts. A number of BIDs—I think there are 20-odd throughout Scotland—have a tourism focus, which involves getting the infrastructure and the

ambience of the town right, and being able to promote it on the back of that. Mr Feighan was right to make his point. On the back of “Brave”, which has an iconic Highland theme, we have produced a map to highlight some of the towns where people can experience elements of the film. Such promotion is possible, but it is undoubtedly a huge challenge. A number of the towns have a bit of faded glory and need to be rejuvenated.

The Co-Chairman (Mr Joe McHugh TD):

Thank you very much for your presentation, Mr Graham. I thank Members for their questions.

Before I mention housekeeping arrangements, I acknowledge the presence in the gallery of Mr Vernon Coaker MP, the Shadow Secretary of State for Northern Ireland. You are very welcome, Mr Coaker. For the purposes of networking at lunchtime and knowing who exactly is in the gallery, I acknowledge the presence of Ciarán Burn and Jeremy Martin from the British-Irish Council. Plenty of Members will know Jeremy from their relations with the British-Irish Council. I thought that I would let Members know that they are present today—in case you thought you were just going to have a handy wee lunch, lads.

His Excellency Bobby McDonagh will join us for the next session. We also have Mr Andrew Staunton, the deputy head of mission from the British Embassy, in the gallery. Jennie McShannon—I hope that I am pronouncing that correctly—from the Federation of Irish Societies is present, and is joined by Martin Collins. You are all very welcome.

I have left some people out, but I just wanted to give Members an idea of who is present today. We also have in the gallery our distinguished representatives of the media, who are welcome.

We now break for lunch. I ask Members to congregate in the lobby beside the main entrance at 2.30 for a photograph, although I know that it is something that we do not like doing. At 1.15, committee B is meeting in Kibble suite 1 and committee D is meeting in Kibble suite 2.

Thank you.

The sitting was suspended at 12.49 pm.

The sitting was resumed at 3 pm

Devolution and the “West Lothian Question”

The Co-Chairman (Mr Joe McHugh TD):

We will now resume in public session.

The Co-Chairman (Mr Laurence Robertson MP):

We can now discuss devolution and the West Lothian question. We are privileged to have with us the chairman of the Commission on the Consequences of Devolution for the House of Commons, Professor Sir William McKay. Many of us will recall Sir William as a very distinguished former Clerk of the House of Commons. Following his retirement from Westminster, he took up a chair in the school of law at the University of Aberdeen. Sir William was the very first British Clerk of the British-Irish Inter-Parliamentary Body, and therefore played a key role in the early days of what is now our Assembly. Sir William, I am delighted that you are able to join us. Please address the gathering. [*Applause.*]

Professor Sir William McKay KCB:

It would be conventional to say that I am glad to be here, but in my case, I am glad to be back in this body. It was part of my career that I enjoyed almost more than any other. I am very glad that the progress of the body has continued and strengthened and deepened since those days. Also, since those days I have employed my hours—and they were hours—writing, with my American opposite number, a book on Parliament and Congress, and one of the things that I learned there was the virtue of the American constitution, with its clarity and cohesion, and the way that there comes out of it quite clearly the idea of the American manifest destiny. Then I think of the British end of it. The British empire is said frequently to have been acquired in a fit of absence of mind; I think that the British constitution was probably got in much the same way. Everything is flexible and pragmatic, but that makes problems all the more difficult to solve.

As the Co-Chairman said, the commission to try to solve those problems was set up by the present Government at the beginning of the year, to consider how the House of Commons—and it is the House of Commons, not the Lords—might deal with legislation that affects only part of the UK following the devolution of certain legislative powers to Scotland, Wales and Northern Ireland; in other words, that is legislation affecting principally England: the West Lothian question. There are five commissioners. Two of them are academics, one is a former senior diplomat, one is a former First Parliamentary Counsel, and then there is me. We are told to report by next spring. I cannot be tempted to tell you what we are going to say because, although we have been doing a lot of listening, and we are doing a lot of thinking, we are not yet at the stage of doing any concluding. Everything that we have heard has been published, and there is quite a lot of it. Some of those who assisted us formally and informally are here this afternoon. To them I want to repeat our thanks.

Altogether, we have sat on seven days—I do not mean seven occasions; I mean seven full days—and we have taken oral evidence from 35 individuals or groups. We have sat in all the capitals in the various parts of the UK. We have had a lot of written submissions. We have heard from some senior Members of the House of Commons, and some former Ministers. We have had Members of the House who are serving, including two select committee Chairs, and former Members who are retired. We have heard some senior former Ministers who now sit in the Lords. We had the former First Minister of Wales and the former First Minister of Scotland. We heard from several political parties with an interest in the subject that are not currently represented in the House, or in any devolved legislature. A sitting Member of the National Assembly for Wales gave evidence, as did a Member from the Northern Ireland Assembly. On the official side, we have had senior officers of the House of Commons, serving and retired, and a retired officer of the Northern Ireland Assembly. We have heard or will hear from local government, Local Government Association and trade union representatives, and we have, of course, heard from a great number of academics who have an interest in these matters—specialists and commentators—and even some members of the general public.

So, we have not been wasting our time, and we have not been casting our net too close to ourselves. We have heard a very good range of evidence.

Sometimes, as we know, the devolution settlements look like something of a kaleidoscope. It might help some Members here if I said how it all looks. It all began in 1998 with the Scotland Act, with its lapidary first clause:

“There shall be a Scottish Parliament”.

I was in the Chamber at the time, and that phrase is pure Donald Dewar. I will never forget the delight on his usually melancholy face when he said ‘I like that’, and read it again.

Within the possibility of a UK override, the Scottish Parliament—like all the devolved legislatures—was given devolved legislative powers. In Scotland, these ranged across quite a wide range of topics, and were recently enhanced to confer additional taxation and borrowing powers.

The Government of Wales Act was also enacted in 1998 and was broadened in 2006 to confer the potential for primary legislative powers across a range of fields. There was a kind of interim stage, and then, following a referendum in 2010, the National Assembly for Wales acquired direct authority to enact primary legislation in 20 or so areas, subject only to specific exceptions and some general restrictions in areas such as the functions of Ministers of the Crown.

The powers of the present Northern Ireland Assembly were conferred by the Northern Ireland Act 1998, under which, most notably, police and criminal justice powers were devolved in 2010. The Northern Ireland system of devolution is slightly different to the others in other ways, because there are three categories of topics: accepted, reserved and transferred.

That is complicated enough, but it gets worse. There is no universal template for legislative devolution. It is thoroughly asymmetric—a word that has featured very widely in the commission’s proceedings. Each legislature enjoys the power to make law in different areas of law and policy. Above all, in Scotland and Northern Ireland, the devolved bodies can legislate in any area not statutorily retained by Westminster.

However, the National Assembly for Wales has law-making powers only in the fields explicitly conferred on it by Parliament.

The question arising out of all of this that, most of all, confronts us, is the West Lothian question. It is not a new question, as it goes back, in essence, to Gladstone's struggle to find a form of devolution that would satisfy Irish opinion. It was not invented by Tam Dalyell, but by Enoch Powell. It has nothing to do with West Lothian. It is, really, the English question, derived from the fact that England represents approximately 85% of the UK by volume and does not have devolution.

The particular issue is this: Members of Parliament representing constituencies in the devolved nations—Scotland, Northern Ireland and Wales—can vote to change the law in England, and by doing so they can help, in certain political circumstances, to impose on England something that the majority of English Members may not want. However, they cannot vote to make the very same changes affecting their own constituencies—not, at any rate, if the subject matter of the proposed change is devolved. It is not just a matter of dissonance between England and Scotland. A Member for a Scottish constituency could speak and vote in the House of Commons on an issue devolved to the Scottish Parliament that, although it arose only in the particular case in Wales, was not devolved to the National Assembly. So, the West Lothian question, although it is often cast as an England/Scotland issue, is in fact a UK constitutional matter arising from the variable geometry—the asymmetry—of the devolution arrangements.

It has not been talked about since Gladstone's day. It has not even been talked about at the same volume since the devolution statutes. It did not rise to the surface for some time. There are a number of possible ways of accounting for that. It is a bit like the Kipling couplet—there are four and twenty ways of reciting tribal lays and every single one of them is right. That is true of the explanations of why the salience of the West Lothian question has taken quite so long to appear.

Some of these explanations lie in the nature of Englishness; I think that that is the best way to put it. As we heard, Englishness was for many long years a cultural thing. You may remember Sir John Major quoting the example of the old lady cycling to mattins

through the morning mists. That was the touchstone of Englishness, but that is changing. It is still there, but it seems to be changing. There seems to be restiveness about where Englishness is going. At one end of the spectrum, the evidence that we heard said that there is coming into being an English political identity. The English are beginning not to believe that Westminster is doing the business for them. The aims of those who believe this are on a spectrum, and one end of the spectrum is a fully fledged English Parliament. These opinions are not represented in the House of Commons at the moment, but we heard from people who hold them and their view of the present state of England was very interesting. If these people are right, you could describe it as a re-emergence in England of the legitimacy issues that drove devolution in Scotland and then in Wales.

Alternatively, less apocalyptically, we heard about a feeling that what is annoying England is a sense of being unfairly treated. 'Unfairness' is another word that comes up a lot in the evidence. There is also more Kipling: it is a poem about a dying Norman baron giving advice to his son. He says to his son that it does not matter what he does with his Gascony archers or Picardy spears. However, the Saxon, said the old man, is different:

*"When he stands like an ox in the furrow—with his sullen set eyes on your own,
And grumbles, 'This isn't fair dealing,' my son, leave the Saxon alone".*

As a Scotsman, when I first came to England, this is one of the things that struck me—this visceral insistence on fairness. So when you get Scottish votes—and perhaps Welsh and Northern Irish votes—in the House of Commons contributing to the passage of contested legislation on issues such as foundation hospitals, tuition fees and hunting with dogs, which do not affect Scotland, there is quite clearly a feeling of unfairness. It does not go so far along the spectrum as an English Parliament and it is probably different in kind, but it is there.

Another explanation of why we have to answer the question now is that devolution has probably been around long enough for people in England to see that there are divergent policies in the devolved jurisdictions. Some will conclude that there is a better deal for people in Scotland, Wales and Northern Ireland and that it is the

English who are paying for it. Then there is the issue that, over the past 50 years, the party breakdown in the House of Commons has become more aligned than it ever was before with the individual nations or parts of the UK. That may be something to do with the rise of English opinion. As we all know, there are nationalist parties in power or jointly in power in Scotland and Northern Ireland. Perhaps that is exciting English opinion.

Of course, you hear all these gripes but there are always two sides to these arguments, as you know better than I. The British constitution, as I keep saying, is full of anomalies; maybe the West Lothian anomaly is just one of those and it is manageable. Maybe it will just go away. After all, the number of times non-English votes have put a Government in power in the UK is not many. For various reasons, there might not be many in future. In any case, looking into other people's backyards and envying what they have is human nature; it is not a sign of a constitutional meltdown.

So, first, the commission has to ask itself what is going on in opinion in England. We have looked at and helped to frame some public opinion polls to try to find out. When we make up our minds on the nature of the demand and therefore the answer to that question, we have to come to solutions. There are plenty of offers of solutions: one of them is very large and, thank the Lord, well beyond our compass, and that is federalism. What we are in effect tasked to do is devise a means of devolving law making for England without creating a new law-making body; so, in a parliamentary sense, we are to internalise devolution for England. We are not there to tear up the constitution.

Whatever we come up with, in my opinion, it has to be as transparent and straightforward as possible, building on what exists, because, after all, it might represent a very substantial change in the way that the House of Commons works. It will have to be something that Members of the House can agree to—perhaps grudgingly. It must be seen to improve the way the House works and must not be something that few Members, or anyone else, can see the point of and that no-one can explain outside the House.

A lot of proposals are a good deal more limited than federalism; these include the famous devolution discount—decreasing the number of Members sent from a particular area. That has happened for many years in respect of Northern Ireland. In the nineteenth century, it was the favoured solution by the British Government. However, the problem with devolution discount is how you answer the question as to why the area subject to the discount should be disadvantaged, in a parliamentary sense. When Parliament talks about defence, foreign affairs and taxation, why should anywhere be under-represented in these all-UK problems?

Another proposed solution is one that many have argued for and against: it is called in-and-out voting and what Lord Foulkes condemned as “legislative hokey-cokey”. Others have said that it is a good idea, but it will create two classes of Member. In this arrangement, Members can vote on one clause of a Bill, but not on the next one or on the one after that: it all depends on the territorial extent of any particular clause.

There might be ways around these difficulties. The problems that will face a solution are to avoid being difficult to work and productive of more disputes over technicalities than substance. The simplest way forward might be to arrange for English Members to debate a draft Bill. That is fine; everyone might agree that draft Bills are a good thing, but they are not easy to fit into a Government’s programme of time. In any case, debates on abstract motions that do not relate immediately to legislation are always at risk of becoming talking shops. There might be a way around that too. I am simply trying to set out the avenues that have been set out for us, where the difficulties might lie and where the solutions will have to be found.

Maybe we can rephrase the question, and say that, basically, the problem is to balance English voices with UK decisions. After all, this is what devolution does at present, but there is a problem at the very beginning—as there is at the very beginning of most of these solutions—namely how you define England-only legislation and make a separate set of procedures for it. Most Bills in any session are either United Kingdom or Great Britain Bills; England-only Bills are very rare. Even England and Wales Bills are not much more than a third of the whole in an average session. So, how do you define an English Bill? Do you ask the Speaker to do it, or do you not ask the Speaker to do it because that might risk politicising the office? Most of all, at what level

should we define Englishness—at the level of a Bill or at the level of a clause? It is not difficult to do so at the level of a Bill, but it would be messy. However, it would be very difficult to handle at the level of a clause, but there may be ways around that.

Another suggestion put to us, which antedated the setting up of the commission, was called the ‘double lock’. At some points of a Bill—those points where only English problems and interests arose—there should be a requirement that the majority should be calculated, first, in the usual way, namely how many voted for and how many voted against, and, secondly, in terms of English Members only. If the results were different—if English Members voted ‘no’ on an exclusively English topic, even though the House voted ‘yes’—the proposition should not be carried.

There may be any combination of these, but the last one that I mentioned brings us to the second main issue surrounding these proposals, which may be put in a scriptural way: ‘Who can bind the strong man?’ A Government, by definition, unless it is a minority Government, enjoys a majority in the House. What could there be to stop a Government from using its majority to set aside any rule that assures English Members of a separate role in legislation, whether that legislation affects England or England and Wales? You could bring in a statute to stop that from happening, but I think that that would be a very difficult thing to persuade Members of—it would bring the judges right into the House.

One suggestion made to us is that, if you cannot make a rule and you do not have a statute, there should be a convention. It is true that a convention has already silently emerged that the House of Commons should not—although it could, at the ring of a division bell—override a legislative consent motion, that is, a motion that carries the consent of a devolved legislature to Westminster changing the law, even when the area in question is devolved. It may be more sensible to tackle English devolution in this way. I suppose you could say that a convention might emerge that the House as a whole did not interfere with the wishes of English Members on English matters, so that when you went through the double lock and the English vote was ‘no’, that was the end of it.

There are obvious problems with that. It is clear beyond a doubt from the history of most countries that Governments are not made of saints and that sooner or later—perhaps sooner—there would be a case where the Government said, ‘This is a special one; we have to override the English in this case’. There is a further problem too that, if there were that kind of arrangement where you did not override an English vote on an English matter, in a sense, the House of Commons would cease to be sovereign. I do not know that anyone would want to go quite that far. It is true that justice or devolution statutes preserve the override where the devolved legislatures are concerned, but it does not happen every day. There might be a way of replicating that within the House of Commons. We have to think about it. One of the issues, as I said earlier, is that the solution should not be very complicated.

However, you can look at it from another angle: if it remained possible for a Government without a majority in England to override Members representing English constituencies, and, occasionally, it did so, would that represent an abandonment of the whole principle? It might do, but it was suggested to us that it was not necessary. Reconciling conflicting views in a legislature is what politics is for, so a Government that could not get its way with the English majority on English matters would have to compromise. That is what minority Governments do every day. It is politics in action. That might be a possible way forward, but the objection is that it turns a majority Government into an occasional minority. Can you do that in practice?

The last point in this potential scenario is that a Government that overrode an English majority could be required by the rules to give up time to justify what had been done and to make its case to the House at large, with time, of course, being at a premium in any legislature. Even if a Government gave up time and won the vote, it would have to explain to the electorate why it had done that. Whether you can strike that kind of balance and whether it would work if you struck it, I do not know, but all these solutions, for me, throw up the point that I made earlier: solutions operating within the four walls of the House of Commons Chamber will have to be explainable outside and understandable inside or they will not work.

I have gone through some fairly complex possibilities; I am sorry about that, but they must be complex. Over the next few months, as a commission, we will have to think

about them because we have to report by the spring of next year. I cannot promise that any report will be an easy read. I do not think that I have ever had to think quite so hard in all my life, but it is probably good for me at my age. [*Applause.*]

The Co-Chairman (Mr Laurence Robertson MP):

Thank you very much for a very interesting and comprehensive speech, Sir William. The first questions are from Paul Murphy and then Chris Ruane.

Rt Hon Paul Murphy MP:

Thank you very much, Co-Chair. To echo what you just said, I thought that that was a fascinating explanation of the dilemma that Sir William and his colleagues have in front of them over the next few months. I speak as a Member of Parliament for a Welsh constituency for nearly 26 years and as someone who had to steer devolution in Northern Ireland and Wales through the House of Commons.

Sir William, you will recall that we had referenda in Scotland, Wales and Northern Ireland and, in none of those referenda, did we or the Government of the day touch upon the idea that, somehow or other, Welsh, Scottish or Northern Ireland MPs would be treated differently from English MPs in any future Parliament. I am ferociously opposed to having different types of Members of Parliament in the House of Commons, and I think that you have an impossible dilemma. The only answer, frankly, is English devolution, so that we have symmetrical devolution of sorts, or at least devolution everywhere. While 85% of the people of the United Kingdom live in England, there is no answer that can satisfy someone like me who believes that, when I am elected, I am elected to a United Kingdom Parliament and that that has responsibilities. Not a week goes by without an issue that challenges us on this subject. In the coming week in the House of Commons, badgers will be discussed. A badger cull in Wales is a devolved matter, but that does not stop lots of people writing to me saying, 'Do this or that' on English legislation about badgers, and I am sure that my Scottish and Northern Ireland colleagues have the same experience. So it is an impossible dilemma.

I have two specific questions. You quite rightly said that this is about the House of Commons. Is it not ironic that an unelected peer would be able to vote on everything

that would affect Britain but that an elected Member of Parliament from Wales, Scotland or Northern Ireland could not?

Secondly, we have heard a lot today about the referendum on independence here in Scotland, and the Secretary of State for Northern Ireland has said that there will be no more devolution talk until that is over in Scotland. I am not saying whether that is right or wrong, but that is what she said to us. My fear is that if you report something next year, right in the middle of a referendum campaign, that could be used by both sides, one way or the other, to influence the outcome of the referendum. So, I think that the best thing for you to do is to go on ice until the independence referendum is over, and then return to it, if you have to return to it at all.

The Co-Chairman (Mr Laurence Robertson MP):

Thank you very much, Paul. Chris is next and then Lord German.

Mr Chris Ruane MP:

Thank you for that. It was a fascinating talk. You mentioned the devolved jurisdictions of Wales, Scotland and Northern Ireland, but you did not mention the London Assembly. What would be the position of the 73 MPs who represent London constituencies? When we look at the geographical imbalance across the nations and regions of the UK, we see that, within the House of Lords, there is an imbalance not just in favour of England, but south-east England and London in particular, where all the experts live, and have done for many decades.

The Lord Rogan:

Not all of them. [*Laughter.*]

Mr Chris Ruane MP:

Absolutely not, Dennis. [*Laughter.*] So, there has been a geographical imbalance in the second Chamber for decades, if not hundreds of years. Surely that evens things out when you look at them in the round?

The Co-Chairman (Mr Laurence Robertson MP):

We will take Lord German's contribution now, and then I will ask for some responses.

The Lord German OBE:

I also say to you that you have a dilemma that is one of the most difficult and perhaps intractable problems to face the United Kingdom. I noticed that you talked of federalism and then moved on, because, I suspect, for many people, looking at this logically—and we are not going to be able to look at it logically—that is the logical solution. The asymmetric devolution that we have is not going to be changed. Those who argue for symmetric devolution might as well start with the whole of the British constitution, work their way from the Magna Carta onwards, rip the whole lot up and start all over again, which I do not think was quite your brief, if I may say so.

Professor Sir William McKay KCB:

Thomas Jefferson I am not. [*Laughter.*]

The Lord German OBE:

I have written down Tam Dalyell's four things that were to be ruled out, and you have quite clearly ruled them out as well and looked at some very small parts of things that you might be able to do. I wonder, though, whether this is about the governance of England, by and for the people of England, as you started off by saying. Are the people and politicians of England listening? Are they interested and conscious that this is a problem that affects them?

Professor Sir William McKay KCB:

I will start with that and work backwards. Is England interested? I think so. There are certainly a number of pressure groups and policies of established parties that address this issue, which has to be some kind of surrogate for English interest. The surveys that we have seen suggest that there is a kind of a submerged restiveness. They are not all marching in the same direction, just all stamping their feet.

Federalism is well beyond our remit. We leave that to the political parties. Yes, of course it would be more logical. Other systems would be more logical too, such as going back to the way we were. However, the task that we have been given is very

precise, I think, and we simply have to carry it out. That perhaps goes back to Mr Murphy's point that we should put it 'on ice'. Well, we have to come up with something by next spring.

On the point about the sensitivities of intersecting with the independence debate in Scotland, I am sorry but we will just have to be as careful as we can. It sounds feeble, but we know that it is there. Who would not? I can think of lots of ways of coming up with an answer to our problem without addressing these bigger issues, but I agree that the public may not see it that way.

On the House of Lords issue, one of the points that has been put to us by one of the witnesses—and I do not know what the commission will make of it—is that we have to be careful that we do not leave the defence of the UK as a whole to the upper House alone. That is a point that will have to be taken on board: if we begin to, in a sense, make special provisions in the lower House, we need to be aware that that may leave the House of Lords with a broader spread of interests than the Commons. It may change the character of the Commons without changing the character of the Lords.

Other issues have been put to us about the Lords. If you are going to do this sort of thing to the Commons, how do you divide up the Lords? Do you do it by where they live—in the south-east of England? In what other way do you arrange parallel provisions for the Lords? Silence will probably be golden. We are specifically tasked to do something about the Commons, so the pragmatic approach is to see what is accepted for the Commons, if anything, and what is needed in the Lords, and what is possible. That will be somebody else's task.

Mr Chris Ruane MP:

How about the London Assembly?

Professor Sir William McKay KCB:

That was part of one of the possible approaches that I did not mention and which is in fact outside our terms of reference, although we get a lot of evidence about it, namely how should regional and local government for England as a whole be recast? Is it possible that some transfer of power from the centre would ease the problem, just as it

perhaps has in London? Again, it may be true, but we are not called on to decide. We simply have one area for which we have to find a solution. We are conscious of these other areas, but we are not making distinct proposals to do anything there, because it is outside our terms of reference.

The Co-Chairman (Mr Laurence Robertson MP):

Brian Mawhinney is next and then Paul Flynn.

Rt Hon The Lord Mawhinney:

Sir William, that was excellent. Thank you. I would like to come at the same point that Paul Murphy came at but from a different direction. I was wondering whether you would do the body politic an enormous service. Would you make every effort to get published what you told us today? My concern is that all of the evidence and erudition that will be reflected in your report will drop on an unsuspecting world that has not been softened up for it, where the ground has not been tilled in advance, and where, consequently, the chances are that you will get an instinctive, visceral, political response rather than a response that is in keeping with the evidence and the erudition reflected in the report. I just sat here thinking: I wish the rest of the country could hear this, could start to think about some of the issues that you have addressed, and could be persuaded to understand that this is a bigger problem than one that can be solved at a party political level.

So, I finish where I started. Please could you be persuaded to find some way of getting this into print publicly as a major contribution to the report that will come forward next year?

The Co-Chairman (Mr Laurence Robertson MP):

Paul Flynn is next and then Roger Perrot, and then I will ask for some questions.

Mr Paul Flynn MP:

Paul Murphy called for this report to be put 'on ice'. This is the problem: the whole subject is on ice at the moment, and it is not flat ice but slippery ice—the slippery slope that was talked about earlier. This is a dynamic situation that alters by the month. The Political and Constitutional Reform Select Committee is calling and

campaigning for a convention on the subject. The whole thing will move ahead whether we like it or not. Having entered the House of Commons on the same day as Paul Murphy, I am certainly not ferociously opposed to change. I do not think that our own interests, as MPs, should be the paramount consideration. As Welsh and Scottish MPs, much of the power we had to influence policy in our own constituencies has gone and is gone forever. However, I believe that the process is one that will gather ever more momentum in future. We will have to bite the bullet, and we will have to embrace the “f” word: we need a federal system. That is the only logical outcome.

However, we should not be imprisoned by the conventions and habits of Parliament. Many of them are there for a very good reason, but so many of them put a wall between us and the general public. They have no idea what we are talking about, what language we use, or the conventions that we follow. Our best cause is to note the extraordinary results of the referenda that have taken place in Wales, Scotland and elsewhere—and possibly there will be similar results in England—and people are calling for changes that reflect the reality that people want more devolution and more powers to the Scottish Parliament and the Welsh Assembly.

Deputy Roger Perrot:

As one of the most junior members of this assembly, perhaps I could be forward enough to add my congratulations to Sir William on a fascinating talk.

What I have to say is really a comment, and it is one that is utterly tangential to anything that you have said, Sir William. I am not quite sure why I am saying it at all, except perhaps to get over my nerves at speaking in this Assembly for the first time. As the Guernsey representative, I wish to say that we have had a devolved Assembly in Guernsey since about 1204-ish when England lost continental Normandy, and everything has been absolutely tickety-boo pretty well since then. However, our problem now is that, with our primary legislation, we do not have complete autonomy. We debate it and we enact most of it, but it does require a sign-off by the Queen in Council, which means the Government in power of the day. In recent years, there has been quite a degree of delay and unnecessary interference in our legislation, and a number of us in the islands now wish to bring that to an end so that we have autonomy in respect of our primary legislation and, indeed, in respect of our treaty

making. I hate to compound any difficulty. It is entirely tangential, as I say, to what you were saying, but I thought that this might be noted because not everyone might be aware of our position in the islands. Whether that is endorsed by my colleague from Jersey, I really do not know.

Professor Sir William McKay KCB:

On what Lord Mawhinney said, and the way in which we can prepare the way for such a report, it is an interesting thought that I will turn over in my mind. Strictly speaking, I suppose, the worst case would be that we would make impenetrable suggestions that would be impossible for any Government to turn into anything that would interest the man on any omnibus anywhere. I hope that we can avoid that, but there is no running away from the fact that it is very complicated and technical.

If I can link that to one thing that Mr Flynn said about a changing climate, we have had some interesting evidence—and I have not the faintest idea what we are going to do about it—that devolution, as it presently exists, is a four-handed, perhaps even a five-handed, game but that Westminster too often behaves as though it were the only player. What is being said to us is that perhaps there should be a way for the devolved legislatures and Westminster to sit down together to keep an eye on it, as Westminster keeps an eye on human rights. Is the system working well? How could it be improved? I do not mean between Governments and I do not mean between officials, because these meetings already happen. I mean that there should be meetings between Members.

It may be a chimera; there may be nothing in it. It would have to be thought about, but some witnesses have said that to us. It may be that that sort of approach will not save this report from being a difficult read, but it will take the subject on into the future. All that I can suggest to Mr Perrot is that you need another commission, I think. [*Laughter.*] In the summer, for preference.

The Co-Chairman (Mr Laurence Robertson MP):

Thank you very much. John McCallister is next and then Willie Coffey.

Mr John McCallister MLA:

Thank you, Co-Chair. Like my colleagues, I thought that that was a very interesting presentation, Sir William. I have a couple of thoughts. You mentioned the US constitution at the start, and of course it probably throws out some anomalies, but it is very clear. There are times when the federal and state Governments fall out over certain powers. You can also say that the idea that the Senate, to which each state sends two senators—even if, like Wyoming, you have a population of something like 500,000 people, as compared to California, which has a population of something like 45 million—is an anomaly and, possibly, undemocratic. So, I suppose that the real question is whether we are trying to find almost the perfect democracy when, probably, no such thing exists.

The Co-Chairman (Mr Laurence Robertson MP):

Thank you. Willie Coffey is next and then Jim Dobbin.

Mr Willie Coffey MSP:

Thank you very much, Co-Chair. Sir William, you mentioned in your presentation the growing sense of unfairness in England. Do you also recognise the sense of unfairness that is the other side of that story, which is that English MPs can, on occasion, vote through matters that Scottish MPs—or Welsh or Northern Irish MPs—by majority oppose? Do you recognise the consequent impact of that in Scotland, Wales and Northern Ireland? That has been the position for quite a number of years. That situation precedes even the devolution settlement that you describe. Is there a sense that that is a quid pro quo of the union that we have, and should both parties, similarly disadvantaged, just put up with it?

Mr Jim Dobbin MP:

I am a Scottish MP with an English constituency who sometimes does that. [*Laughter.*] This is probably a very naive question, but, just for clarity and just to get it on the record, are all forms of regional government dead?

The Co-Chairman (Mr Laurence Robertson MP):

Thank you. I will take what will probably be the last question, which will be from Steve Rodan.

Hon Steve Rodan SHK:

Like my friend from Guernsey, in the Isle of Man, the West Lothian question does not arise because, although we have considerable devolved power and full fiscal autonomy, we do not have any seats at Westminster.

My point picks up on what John McCallister said a moment ago, about having an unwritten constitution, to which you referred. Any unwritten constitution has anomalies within it. Would you agree that the West Lothian question is simply an interesting academic problem, which has become a political problem only because the party political landscape of Scotland and Wales has not been the same as that of England? That has been the case for a good number of years, but is not necessarily always going to be the case. I am reminded of a Scottish nationalist friend of mine, from years ago, whose answer to the West Lothian question—against a backdrop of many years of English Conservative policies being imposed on Labour-voting Scotland—was, ‘so what?’

The Co-Chairman (Mr Laurence Robertson MP):

Thank you very much for all the questions and comments. Sir William?

Professor Sir William McKay KCB:

I say to Mr McCallister that, yes, there are oddities in the US constitution. I will give you another one. You can put together a coalition of US Senators to block off the ending of debate, and the Senators who can do that represent something like a tenth of the population. So, a tenth of the population can block progress in the Senate. That sounds very bad. You mentioned Wyoming. The American answer is, ‘That is the great compromise’. They faced up to this in the constitutional convention and that is what they decided to do. We are in a position of not having decided to do it; we just walked into the problem.

It is true that English votes have been determining Scottish questions; that has been happening since 1707. If anybody made a mistake, it was not in this generation. That is true, but it must be argued, surely, that devolution has reduced the incidence of that. It has not gone away, but it is less.

I do not know whether regional government improvement, change or amendment is dead—I do not know whether anyone does. However, the record on elected mayors, in the 2008 vote in the north-east of England, shows that the propositions put so far have not commended themselves. I do not know whether the answer is that it is dead or that we have not yet thought of the right question. That is still a possibility. The commission has heard compelling evidence about how things might improve. It is not within our remit, but we know that it is there, at the back of the mind, as a potential possibility.

The last questioner suggested that it was an academic problem; I did mention that. It may well be a problem that will go away, if, for example, the number of Scottish and Welsh Members declines by statute—you will not get so readily the situation where there is a Government sustained in office against English majorities by Scottish, Welsh and Northern Ireland majorities. It might not be, arithmetically, so likely. That is one of the options. I do not know what view the commission will take of it.

I also mentioned, interestingly, that the party landscape is more aligning party with nationality within the UK than it used to, and that that might not last forever. The trouble is that the commission has to take a plunge from where it finds itself now, and the decision about the salience of what we say must be for Government. In a sense, it is the Government's decision on whether the problem is going to last and on whether what the commission says is going to be useful. We will do our best, but I am not going to get much of a Christmas—that is my only objection. [*Laughter.*]

The Co-Chairman (Mr Joe McHugh TD):

Thank you, Sir William. We appreciate that contribution, and I think that, for a lot of the Oireachtas Members, it was an unique opportunity to—

Professor Sir William McKay KCB:

Sorry to be boring.

The Co-Chairman (Mr Joe McHugh TD):

I would not use the word ‘boring’; I think that the word ‘complexity’ comes to mind. So, we really appreciate that. It is a complex issue and a very important constitutional issue within the United Kingdom, so we wish you well.

Professor Sir William McKay KCB:

Thank you. At least you have a constitution that you can put in your pocket and read when you want.

The Co-Chairman (Mr Joe McHugh TD):

We are also going to have a constitutional convention, because we are looking for that political nirvana that John McCallister is looking for as well. [*Laughter.*] John is open to suggestions on that nirvana. Thank you very much, Sir William. [*Applause.*]

Rules for the Conduct of Business

The Co-Chairman (Joe McHugh TD):

Members, I have some information about the Steering Committee. Earlier this year, rule 34 gave rise to some difficulty when one of our committees took a decision to take evidence in public. Unfortunately it was not possible for the Steering Committee to be consulted at short notice, and to give its consent to that request, as is required under rule 34. Some Members will be aware of that and some will not.

The Steering Committee has subsequently discussed that procedure. Evidence taken in public is of course a common practice of parliamentary scrutiny in all our jurisdictions but more attention is being given to the valuable work of committees, so I hope that we can deal with the question of evidence being taken in public. The Steering Committee sees no reason why committees should not be empowered to make their own minds up as to if or when they should meet in public.

Therefore, we propose a simple rule change:

in line 1, to leave out the words:

"Except with the consent of the Steering Committee" and, in line 2, at end to add "unless a committee otherwise order". I commend the proposed rule change to the Assembly.

Does any Member wish to speak on the matter?

The Lord Dubs:

I warmly support this change. The issue arose in Committee D when it was taking evidence on people trafficking in Wales. The media wanted to film some of the evidence and of course we would in principle have been happy for that to be filmed, provided the people giving evidence were happy, of course. But there was no way, under the unamended constitution, that we could have got hold of the Steering Committee in time, so I think we lost an opportunity to enable the media to look at some interesting things that are going on. I commend this suggestion.

Mr Jim Wells MLA:

I was in Cardiff at the committee meeting on human trafficking. It was a crying shame, given the evidence we were about to take, its importance and how serious an issue it is, that we had to do it behind locked doors. How do you increase public perception of the work of the group if it is done in secret? We are not the masons. I was shocked that we did not have the power as a committee to vote to have the press in, particularly a television crew. The amendment does not compel anyone to do anything, but when you have a good message to broadcast to the public I think you should have the right to broadcast it. I would be 100% in favour of what is suggested.

The Co-Chairman (Joe McHugh TD):

By leave of the Assembly, I put the motion to the committee.

Motion agreed.

Decade of Commemorations

The Co-Chairman (Laurence Robertson MP):

I call Frank Feighan to present the report by Committee A on the decade of commemorations and give us a brief update on the committee's other work.

Mr Frank Feighan TD:

I beg to move,

That the Assembly takes note of the report of Committee A on the Decade of Commemorations, and the conclusions and recommendations of the Report, which should be forwarded to both Governments and the devolved administrations for their observations (Doc. No. 191.)

As I reported when we last met in Dublin in May, Committee A has been looking at the Decade of Commemorations—also known as the Decade of Centenaries—over the past year. For those who may not be aware of the significance, 2012 is the first in a decade which sees a number of very significant anniversaries in Irish, and British, history.

These include the centenaries of the introduction of the Third Home Rule Bill in Westminster, the Home Rule Crisis and the signing of the Ulster Covenant, the formation of the Ulster Volunteer Force, the Dublin Lockout, the establishment of the Irish Volunteers, which is considered the birth of the Irish Defence Forces, Óglaigh na hÉireann, the outbreak of the First World War, the Easter rising of 1916, the War of Independence, the signing of the Anglo-Irish Treaty, and the partition of Ireland. These momentous events changed the course of Irish history and relations between the peoples of our islands for the rest of the century.

While they may have taken place 100 years ago, the sensitivities arising from those events are still alive today. We saw a few weeks ago the tensions which were prevalent in Belfast in advance of the commemoration of the Ulster Covenant. Thankfully, that passed without serious disturbance. But it reminds us that commemorations over the coming years will not simply be an academic exercise, or a non-contentious exploration of the past.

Commemoration of the past presents dangers. Risks exist that certain groups will attempt to exploit the anniversaries in a way which further divides us, undermining the progress achieved in recent years. But it presents opportunities as well. If history makes us who we are, surely a sensitive and inclusive examination of our shared past might serve to deepen mutual understanding between different people and communities, and to foster the ongoing process of reconciliation on the island of Ireland, and between our islands.

We saw with Queen Elizabeth's visit to Ireland last year, how shared remembrance of historic events can do much to lay to rest past conflict, and over the course of this investigation, Committee A has learned much about the valuable work that is ongoing to ensure that commemoration over the coming year will bring us closer together, rather than drive us apart. In January, we met with Professor Roy Foster, who gave us a provocative and challenging insight into the business of commemoration from the perspective of a professional historian. In April, we met with Irish Government officials and Dr Maurice Manning, chair of the Irish Government's academic advisory committee on commemoration, who gave us an insight into the Government's intended approach to the centenary anniversaries. We also met with representatives of the Community Relations Council and the Heritage Lottery Fund of Northern Ireland, who spoke about the important work they were doing, to ensure that the commemorations would take place in a spirit of tolerance and mutual respect.

In July, we met with the then Minister of State at the Northern Ireland Office, Hugo Swire, who spoke to us about the NIO's thinking on this issue, and the ongoing co-operation between the British and Irish Governments. We also met with Dr Andrew Murrison MP, the Prime Minister's special representative on the First World War commemorations.

Since that meeting, as you will be aware, the Prime Minister delivered a major address on the British Government's plans for commemoration of the war. The Committee welcomes the proposals contained within the speech, as noted in our report. We were particularly pleased to see the special recognition given to the Irish experience of the war in the speech and subsequent discussion.

The First World War is, I think, particularly important in the context of British-Irish relations and commemorations. It was an event which affected every community on these islands, and beyond. For too long, in Ireland, this experience—the experience of those who fought in the war, for a range of motives—was not accorded the recognition it deserved. That has changed significantly in recent years, I am happy to say, and in our report the committee recommends that special attention be given to a joint British-Irish approach to commemoration of the war in the years ahead.

A week ago, we convened in Belfast for the final hearings on this issue. We met with the Unionist Centenaries Committee, which was centrally involved in many of the events related to the commemoration of the Ulster Covenant last month. Its representatives spoke to us about their plans for the future. We also met with the Fellowship of Messines Association, and the 6th Connaught Rangers research project. The latter group resonated particularly for me, as my home town of Boyle, Co. Roscommon, was for many years the base of the Connaught Rangers.

Those groups in Belfast showed us, in their different ways, how exploration of our history is a profoundly contemporary exercise. If done properly, it can serve to challenge historical myths and open up new conversations about who we are, and where we came from.

We visited Belfast city hall, where Councillor Máire Hendron and Ms Hazel Francey escorted us around a very interesting exhibition on the period from 1912 to 1914. To my mind, this might serve as a model on how commemorative exhibitions can be both balanced but also engaging. We were then welcomed by the Lord Mayor Gavin Robinson, and had a very interesting conversation with representatives of the city council on their approach to commemorations.

I thank all those who gave of their time to speak to the committee on this important and sensitive issue. The recommendations we have included in the report, based on those conversations, are ambitious but, in my view, achievable. I thank the co-Chair, Conor Burns, all the clerks and officials and most important all the committee members for their invaluable insight. I also particularly thank Lord Bew, who acted as

rappporteur and an invaluable source of expertise to the Committee on this report, and with your indulgence, Chair, I would like to invite him to say a few words on the issue.

The Lord Bew:

Thank you, Deputy Feighan, for your careful and wise chairmanship of our committee. I would like to add two points to the presentation we have just heard. The first relates to the speech recently by the Prime Minister, which, as Deputy Feighan pointed out, did make reference to the role of Irish servicemen in the First World War. There is no sense in which it is being ignored. But, in paragraph 50 of our report, to ensure what we call a consistency of approach, we have recommended that the British and Irish Governments bring together the representatives of the academic advisory committee to the Irish Government, chaired by Dr Manning, with the advisory panel of first world war commemorations, chaired by the Secretary of State for Culture, Media and Sport, at an early opportunity, with a view to establishing a joint working group. There is no reason for any Member of this Assembly to feel alarm about the spirit in which this has been approached in either island. I have had some informal discussions with the members of the Prime Minister's commission and there is an absolute openness to making sure that the British commemorations give full weight to the Irish side of the experience. None the less I think it is an interesting and significant recommendation in paragraph 50 that there be a formal working together of the two groups, the one in Dublin and the one in London ...

Secondly, paragraph 32 of our report refers to a number of the upcoming commemorations. While it is right to stress that so far things have gone remarkably well, some of these are potentially more fraught. In case it be thought that I am referring to upcoming commemorations on the nationalist side such as the Easter rising, I am actually not thinking first of all about that at all but, for example, an event such as the Larne gun running, which is potentially more controversial and more divisive than the Ulster Covenant. Members of the Committee all feel, I think, that there is special sensitivity there and we should in our work pay attention to how matters evolve. We should not assume that, just because things have gone well so far, they will continue to go well.

Mr Frank Feighan TD:

This is an issue that the committee is anxious to explore further. We discussed it ourselves. One meeting every six months simply is not enough. Committee A wants to engage with many of the various groups and I think we can do very good work. This body is recognised. In meeting a lot of the various groupings in the next four or five years, if there are any issues that we can make a positive difference on, I hope that we will. But again I thank all the members of the committee. It has been a pleasure to chair the committee. I also thank again Lord Bew for the invaluable work that he has done, along with the officials.

Mr Chris Ruane MP:

I welcome the committee's report. I have to declare a personal interest. The list of commemorations that you gave included the Somme and the 1916 uprising. My Welsh grandfather, Ned Roberts, was in the Somme in 1916, while my Irish grandfather, Tom Ruane, was interned in Frongoch in Wales with Michael Collins, so I will be celebrating both those events from different perspectives.

The work is to be welcomed and we need a steer on this at governmental level, from the outset. I am pleased with the way the commemorations have gone with the Ulster Covenant. The right tone has been set and I hope that we can repeat that over the next 10 or 12 years because commemorations will occur whatever, so we need to put that steer in from the outset. The steer we should be giving is reconciliation, co-operation and mutual respect. When each one of these commemorations comes up, it will help us, from whatever perspective or side you are looking at it, and it will give us a greater perspective to view how the past has influenced the present and how to come at these issues with fresh eyes and new perspectives. But we must recognise that there are certain sensitivities out there, especially the commemorations of more recent events, which are more raw and touch nerves. However, even some of the atrocities from the recent past have been commemorated very carefully. I am specifically thinking of Jo Berry, the daughter of Anthony Berry MP, who lost his life in the Grand hotel bombing. She was able to see it in her heart to meet the former IRA man convicted of her father's murder. It is good practice such as that that we need to highlight. That is the spirit we should go forward in.

The Tim Parry Johnathan Ball Foundation for Peace commemorates the two children who were killed in the Warrington bombings. Again this is best practice on raw issues and this is the practice we should spread, but we should recognise the fact that some people will not want to celebrate this, it is too raw, it is too near—even some of the events from 100 years ago. We must be very sensitive to people's perspectives on these issues.

Senator Paul Bradford:

I congratulate Chairman Feighan and his committee on this excellent report. It is worthy of deep consideration. I think all of us would agree that our decade of commemoration will in some small way help to begin to heal the problems caused by what we could describe as a century of conflict and division.

I have an observation more than a question. This is very valuable work and it needs to be reflected on and debated throughout society. I am concerned that, although we are beginning to get what I would call a handle on history, at the same time our respective Governments on both sides of the water are beginning a process of what I would call the dumbing down of history teaching.

The lesson of history is that a misunderstanding of history and a confused and warped view of history causes conflicts to happen over and over again. Chairman Feighan and the committee should strongly recommend to our respective Governments that the teaching and understanding of history in our schools is not a luxury but something that we cannot do without. I make that observation because I am concerned that in today's so-called modern age of Facebook and Twitter, people's view of history and their understanding of our shared history is not what it should be. The Governments should reflect on various proposals that they have spoken about in relation to what I feel is the dumbing down and the reduction of the impact of history teaching in our schools. We do not want Irish and British history repeating itself in many of its tragic ways. One of the best ways of ensuring that that does not happen is to ensure we have an understanding and we will not have that understanding without a substantial history programme in our schools.

Mr Paul Murphy MP:

The last time I went to the Somme to commemorate the July 1916 events, what had originally been a commemoration of the Ulster regiment, mainly Protestant, had changed quite dramatically in that the Irish army was then represented to lay wreaths in the Somme, and similarly the Somme Association laid wreaths for the Royal Irish Fusiliers, which was overwhelmingly a Catholic regiment in that place. Therefore, I think that the recommendation in paragraph 50 of the report that talks about this Assembly meeting in a location close to a First World War battlefield, is one of the most important recommendations that is made there. We should definitely follow that up.

If we take the Somme, for example, the Welsh regiments fell heavily at Mametz wood, where there is a great red dragon commemorating their deaths. English regiments, Scottish regiments and Irish, north and south, all fell in the Somme in 1916. My own preference would be to go there but there may be arguments for elsewhere. However, the committee should be told that it gave a very good idea that we should be commemorating the First World War from all our countries and regions throughout these islands in a very special way, because I was not absolutely convinced that the Prime Minister's recommendations did actually extend beyond England and Belgium. I think that we could fill that gap as well.

The Lord Empey:

The tone of the report is optimistic and things have started off pretty well. Having seen at first hand the covenant commemorations and the vast number of people involved, the potential for things to go wrong was substantial, but it did not. I feel confident that the remainder of these will go well because I think it is easier to deal with these commemorations than some of the more recent events. I hope that the committee will take courage from that but also ensure that there is a clear understanding that, if people disrupt or do something to upset one commemoration, there is an obvious opportunity for their own commemoration to be destroyed or damaged. I think this will prove whether we are really maturing or not. I hope that the committee will take that on board because if we can get through this period it will show that we are moving forward and that that is the general attitude. We have got off to a pretty good start and let us hope that that momentum can be maintained ...

Senator Paul Coghlan:

I want to endorse what the Chairman and Lord Bew have said. The committee is conscious that we have further work to do. We are of course, as everyone here is, extremely conscious of the sensitivities, particularly perhaps regarding the Larne volunteer gun running. Forgive the pun, but it is as though we want to ride shotgun, so to speak, to ensure a flow of proper dialogue continuing. We want to play our part and the Chairman has said that clearly. We are conscious of what a lot of people have learned. Thanks be to God, matters have gone well so far, particularly with the covenant.

These are things that were never taught to us as youngsters at school. Paul talked about ensuring that history is properly taught. There is of course always the chance of some wild elements hijacking a commemoration or two. What can we do about that? Greater understanding and co-operation are welcome, so I compliment the Chairman sincerely. He did an excellent job in charge of the committee. I thoroughly enjoyed all the meetings we had and I hope that that will continue so that we can continue the outstanding work that we feel is happening.

Senator Paschal Mooney:

I endorse everything that has been said and compliment Frank and the committee. Listening to what has been said here, and perhaps what has not been said, this committee will be walking on eggs the longer this goes on. Let us be realistic about this because there are differing views. It is not about changing history or about trying to alter perceptions of it; it is about what the committee itself in its various recommendations is already acknowledging. It recognises that there are sensitivities. In paragraph 42 it talks about appreciating the sensitivities around some of the events of the past among the different communities in Britain and Ireland. In paragraph 49, the committee acknowledges the particular resonances of many of the anniversaries. In Paragraph 50 the committee notes the unique significance of the First World War.

I believe that all of us in this body and the Parliaments that we represent have a unique and important role to play over the next couple of years in relation to these commemorations, particularly when we get into the commemorations surrounding the

commencement of the First World War. In Britain, there is a totally different perception of the First World War than there is in Ireland. That is shaped almost exclusively by the events of Easter 1916. Those of us from Ireland will be aware that there is already an increased volume of letters being written to the national newspapers by people questioning whether there should be any commemorations of the first world war in Ireland and suggesting that the commemorations are already giving an indication that they may overshadow what they believe to be the seminal event in recent Irish history, the Easter rising of 1916.

The committee is charged with showing great sensitivity and in all its dealings so far it has shown that it is very much aware of that. It is encouraging that the dialogue it has had so far, particularly within the island of Ireland, has shown that there is a willingness and openness among the differing traditions on the island to try to embrace what this decade is about. It is not about trying to rewrite history. It is about commemorating what for both traditions on the island of Ireland are seminal events that go deep into the psyche of the different traditions of the two islands.

It is important that we should recognise that this is not Disneyland. This is not about having commemorations, flag waving and everyone being happy campers. This is going to churn up all sorts of emotions and dealings that perhaps have lain dormant on both sides. For us in the Republic of Ireland, I believe we have an even greater obligation. To give one small example, those of a particular generation in Ireland will know from they went to school that the history books on Irish history ended in 1916. I am talking about going to school in the 1960s. The Irish history I learned in primary school ended in 1916. The reason was not because of any dispute or disagreement between Britain and Ireland. It was about the sensitivities within the Republic of Ireland itself about the events that took place—not only the rising but the subsequent activities of the rising, the 1918 general election, the war of independence, the subsequent treaty debates and clear divisions within our own societies.

I am not trying to put a dampener on this at all. I think I am echoing the committee here; I am not saying anything different. Chairman Feighan has already made it clear in the report—it is important that you should read the report—that there are very deep-seated, emotional feelings surrounding a number of these commemorations that

have yet to manifest themselves and that presents a challenge for elected representatives in this body. We are going to be dealing with this through the committee on an ongoing basis. For the wider population it is going to be a challenge. We need to be aware of the sensitivities involved and to ensure that what we are talking about here is not rewriting history but commemorating.

I am sorry for going on so long, but I remember that, in the mid-1990s, the first attempts were made to acknowledge the sacrifice of 50,000 southern Irish soldiers in the First World War across the various regiments, with the commencement of the first of the commemorative divisions: the Royal Dublin Fusiliers. I can remember meeting a lady in County Leitrim who came up to the commemoration that evening in the Dublin civic museum, which was giving space for the display of memorabilia from the First World War. She came with an old cigarette box in which she had medals which belonged to a grand uncle of hers, whom she had never met, and his letters from Palestine. She said they had lain in an attic in her house and it had never, nor had he ever, been spoken about in their house. He had died in a road accident in America, sadly, but he had survived the war. However, the war experience and the fact that he had served during the First World War was never discussed in their house.

By the way that was not unique. That has been the case across the whole of southern Ireland so we are embarking on something that is a challenge for us as well. I have every confidence that it will go well. It has started exceptionally well. The commemoration of the signing of the covenant in Belfast was viewed from the south with great interest. I think it is a compliment to all those involved who ensured that they did what they set out to do: commemorate what for Ulster Unionists is a seismic event in their recent history.

So I feel we need to be constantly aware and conscious of the sensitivities involved in all this, and I totally endorse the recommendation that this body should consider meeting in the battlefields of France. It would be the most hugely symbolic event. Whatever the impact it might have in the United Kingdom, it would certainly have a great impact in the Republic.

Mr Patrick O'Donovan TD:

Following on from what Senators Bradford and Mooney said, one of the things that came out of the meeting that we had with Hugo Swire was a discussion of the on-line tool that was being generated, hopefully jointly by the British and Irish Governments. We said that, in the absence of that, there was a risk of a vacuum being created into which a bunch of hijackers might attempt to step. The fact that the Governments have taken on this initiative, especially the UK Government, should be applauded and I think the Irish Government should be encouraged as strongly as possible by the Assembly to join them in that.

Following on from what Senator Mooney said, my primary school curriculum of history was the stone age, the Norman innovation, the famine and 1916. There was nothing in between, nor was there any joined-up thinking of any kind. That is probably to a large degree the way some schools and teachers are still teaching history in primary schools and secondary schools in Ireland. So I suggest that the committee engages with the National Council for Curriculum and Assessment in the south and the equivalent bodies in the north and in Britain with a view to ensuring that the recommendations of the committee are reflected in the history curriculums on the islands and that people get a better appreciation and understanding of what actually happened, rather than in some cases the interpretation of what might be a very biased teacher.

The Co-Chairman (Laurence Robertson MP):

Thank you for all those contributions.

Mr Frank Feighan TD:

A lot of hard work has been done. It was not all work, there was a little play as well, was there not Paul? As Chris said, members of the committee have their own pasts. Conor Burns' grandfather had a past. One of my grandfathers was a Sinn Fein councillor, went on hunger strike and was a garda on the foundation of the state. My other grandfather came from Crossmaglen. He was in prison in Dundalk. It is amazing how we have come so far. All of us have a history which is different.

Either I was asleep at school or I was not in the day the Ulster covenant was taught. I do not remember the covenant being taught. Nearly 500,000 people went to sign the covenant. That is of huge significance, whether you agree with it or not, but on both sides of our education system, certain pieces were left out. The committee perhaps has a role to look at the education system. We said that we would try to bring the Ulster covenant lecture to Dublin and open up some of how we can learn about our shared past.

I live in Boyle and 400 yards from where I live was the home of the Connaught Rangers. We genuinely were not informed effectively—it was an old British Army barracks and that was it. In the last 10, perhaps 20 years, we have started to embrace the fact that thousands of Irish men on both sides of the border but also in both traditions, went to fight in the great war. We let down those people's memory because they were consigned to a political kind of back room. We are beginning to embrace that. The Queen's visit to Dublin has opened up a mature debate on both sides. Paschal and I went seven years ago with the Rangers to the Somme and Messines.

On Reg's comments, credit where credit is due: the anniversary of the Ulster covenant passed very peacefully. I do not think the Committee can do enough to thank all the people who have done so much work over the past few years. It sets the tone. The tone is very measured and it has been fantastic.

Patrick is right: we should go to the Somme. The group should be seen to go to the Somme, show a bit of solidarity and work together. We met with members of the Connaught Rangers research team, who came from west Belfast. What is little known is that a lot of the Connaught Rangers were from west Belfast and came down to enlist in the Rangers. That is a part of the history as well. I think we have been very sensitive for the past 100 years on both sides. The wording is sensitive. What happened a year and a half ago should signal a line in the sand. Some people may get a bit upset at what is happening, but the committee should represent all sides. We should be able to stand up and say, yes that happened, we agree with it or do not agree with it but at least we are mature enough to reflect that it is part of our history. It is a history that I am very proud of.

The Co-Chairman (Joe McHugh TD):

Thank you, Frank. I think you said it all in your end comments. I was going to do a wee summary but I have no need to.

You referred to the behind the scenes work, whether in the Department of Foreign Affairs, the Northern Ireland Office or the Anglo division. A lot of preparatory work was done on the covenant. There was a degree of nervousness in many circles about that. I echo Reg Empey's remarks that it was a success and I acknowledge everyone's work but in particular Frank Feighan's. I remember being at one of the first committees. Brian Mawhinney made the point that this cannot just be a north south. I think you will agree with Brian that there is an east west element to it. There are recommendations on an east-west basis so we would like to compliment Frank on his work and the committee on its excellent work.

I now put the motion in Frank's name to the Assembly.

That the Assembly takes note of the report of Committee A on the Decade of Commemorations, and the conclusions and recommendations of the Report, which should be forwarded to both Governments and the devolved administrations for their observations (Doc. No. 191.)

Motion agreed.

The committee's report will be accordingly passed on to the Governments and administrations.

Human Rights Legislation in a European Context

The Co-Chairman (Joe McHugh TD):

Our final business today is the report from Committee B on human rights legislation in a European context. As the chair of the committee, Robert Walter, is not able to be with us at plenary, I call on my colleague, Pádraig MacLochlainn TD, to introduce the report on behalf of the committee.

Mr Pádraig MacLochlainn TD:

I beg to move,

That the Assembly takes note of the report of Committee B on Human Rights Legislation in a European Context, and the conclusions and recommendations of the Report, which should be forwarded to both Governments and the devolved administrations for their observations (Doc. No. 192).

BIPA Committee B looks at European Affairs, and our Committee considers matters arising from Britain and Ireland's common membership of the European Union. The report from Committee B being debated today is on Human Rights Legislation in a European Context. Committee B launched the inquiry in 2011. Our inquiry focused on the European Convention on Human Rights and its application in each jurisdiction, including the Crown dependencies; the implementation of human rights legislation across the various jurisdictions of the British and Irish Isles; the operation of the Human Rights Act 1998 in the United Kingdom and the proposed introduction of a "British Bill of Rights"; the Northern Ireland Human Rights Commission and the Irish Human Rights Commission; and reform of the European Court of Human Rights.

As part of our inquiry, the committee heard oral evidence in London, Belfast and Dublin. It met with a wide range of people, and received written evidence from those unable to meet with us. We would like to thank those who gave up their time to meet with us.

Human rights are often taken for granted in the western world. For the majority of us, we go about our daily lives, aware of the protections afforded us yet unaware of just how precious and delicate they are. The Universal Declaration of Human Rights was

proclaimed on 10 December 1948—64 years ago. Article 1 reads: “All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.”

Article 2 reads: “Everyone has the right to life, liberty and security of person.” Article 5 reads: “No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.” How often do we consider the significance and power of these words? How many people across the world are still denied these most basic rights?

In Europe, the European Convention on Human Rights came into force in 1953. The convention affirms the obligation to respect the right to life; the right to liberty and security; freedom of thought, conscience and religion; and prohibition of discrimination, amongst other important human rights.

For all the declarations and conventions, it is a fact that these rights are not universally afforded. It is important, nay, vital, to reaffirm the importance of human rights and to commit to protect those rights across the world.

In the United Kingdom and Ireland, the European Convention on Human Rights is given effect in the UK by the Human Rights Act 1998, and in Ireland by the European Convention on Human Rights Act 2003. Both these nations have good records of complying with the European Convention on Human Rights, which is to be commended. Of course there is always room for improvement and we should not allow ourselves to become lax. We look forward to a future continuation of this good work.

In order for human rights to be upheld, a judicial organ is needed. The European Court of Human Rights exists to uphold those rights set out in the European Convention on Human Rights. The Court is however sinking under the weight of cases before it, many of which should be dealt with in national courts. Urgent and fundamental reform is needed. The Brighton Declaration set out some of those crucial reforms that need to take place and we are pleased at the level of co-operation across the British and Irish Isles and Europe in making those reforms happen.

Two other organisations involved in promoting and protecting human rights are the Northern Ireland Human Rights Commission and the Irish Human Rights Commission. The committee met with both during our inquiry and we wish to put on record our gratitude for their work. The Irish Human Rights Commission is soon to be merged with the Equality Authority to form the Irish Human Rights and Equality Commission and we look forward to hearing of future close work with the Northern Ireland Human Rights Commission.

We also looked at the Coalition Government's proposed UK Bill of Rights. We think a United Kingdom Bill of Rights should enshrine in UK law the rights set out in the European Convention on Human Rights, as well as reflecting the diverse nature of constituent parts of the UK. We look forward to rapid progress on the Bill.

Finally, we looked at the issue of a Bill of Rights for Northern Ireland. We note the lack of progress on such a Bill and call on representatives from all parties in the north of Ireland, in co-operation with the British and Irish governments and other partners, to work together to reach agreement on a Bill of Rights'. Such a Bill should define those rights that citizens of Northern Ireland will be legally entitled to in future. Such a Bill should be an important step in continuing the north of Ireland's journey to a more prosperous and peaceful society.

For any society to truly function, the human rights of its citizens need to be respected, protected and promoted. As parliamentarians, we have both an opportunity and a duty to continue the fight for better legislation, better education and better protection for all citizens.

Committee B has agreed today to commence a new inquiry on the Atlantic strategy and the benefits for Britain and Ireland. In 2012, the EU Commission announced plans for this strategy, which will run from 2014 to 2020. Essentially, it is a strategy based around the five European states with an Atlantic coastline: France, Ireland, the UK, Portugal and Spain. With the chair's permission, I invite Lord German to speak about that forthcoming inquiry.

The Lord German:

The inquiry will look at whether and how the new Atlantic strategy can be best used to benefit the economies of these islands; at the previous strategies for the Baltic sea and the Danube basin; and whether there are any lessons to be learnt from those. The inquiry will probably also want to look at whether and how we can best draw from the wider Atlantic strategy, which looks at the regional and economic space that these islands, Britain and Ireland, and our associated partners occupy, and whether we can carve out a proposal within that new Atlantic strategy.

The Lord Dubs:

I welcome the fact that the committee has looked at this and put down some important thoughts about the development of human rights and the Bill of Rights. I have served for about four years on the Joint Committee on Human Rights in the British Parliament and we spent quite some time looking at some of these issues.

I am sorry if I dispel the harmony that has prevailed in this session for so long by uttering a note of dissent. This issue is controversial in the UK between the parties. The conclusion commends the UK for its compliance with the convention. The British Government, in one important respect, has refused so far to implement a decision by the European Court of Human Rights—the European Court said it is wrong to deny all prisoners in British jails the right to vote.

At one level, this may not seem the biggest issue in the world and it is not, but as the European Court said to us when we went to Strasbourg, the problem is, if Britain, which has a good record of complying with decisions of the European Court, decides not to comply in one instance, we are giving the green light to countries that are notorious for breaching human rights such as Russia to say, “If the Brits can ignore the European Court, so can we.” So there is an important principle at stake, even though the details of prisoner votes are not that important. In fact there are easy ways out of this. The European Court did not say that every prisoner had to have the right to vote. It said it was wrong to deny them all, so the British Government could, for example, say that all prisoners with sentences of up to four years would be allowed to vote. However, that is not where we are at the moment. Perhaps that is what we will get, but it is serious for a country such as Britain to refuse to comply with a decision

of the European Court of Human Rights. That is why I do not like the wording of paragraph 32 and the earlier wording.

As the report rightly says, the European Court of Human Rights is being undermined by the backlog of 150,000 to 160,000 cases. Unfortunately some countries clutter the proceedings with entirely trivial cases. There must be a better way for the European Court to deal with it. Otherwise the whole thing will fall into disrepute. You cannot have a situation where it takes years and years for these decisions to be agreed on.

Lastly may I throw an element of controversy into this? When the parliamentary committee in London looked at human rights, we did some work on a Bill of Rights. One of the contentious issues is whether such a Bill should cover social and economic rights. We picked that up from work that the African National Congress did in South Africa under apartheid. They added social and economic rights but said to us, "We would not do it again because it has been used to challenge us." Indeed there have been some important cases where the South Africa constitutional court has upheld decisions against the South African Government. One involved denying women with HIV the right to have anti-retrovirals as part of their treatment. The South Africans lost that one, but there is an important point of principle there. It is much too big an issue to cover this in this report. It is a massive issue and there are arguments on both sides. I simply put it on the record. My main concern is the paragraph that commends the British Government for doing something. I would like them to be commended with one exception: the prisoner voting issue.

Senator Jim Walsh:

Go raibh maith agat, a Chathaoirligh. I welcome the report. It is pretty good and I think the committee deserves our commendation. On the reform of the European Court of Human Rights, sometimes decisions are made that raise questions on other related human rights issues. I wonder whether the committee considered whether the Court would have an obligation to publish what evaluation it made of its decision impacting negatively on the human rights of others who might be affected peripherally by the decision.

With regard to paragraph 30, you rightly make the point that the Court is impeded in discharging its duties by the sheer number of cases that come before it. You mentioned that some of them are trivial. There is also an issue where the Court adjudicates on specific cases but certain principles are underpinned by that decision. We see other cases being taken—religious symbols, for example, is one. The Court has already adjudicated in a prominent Italian case on that issue. Perhaps there should be some mechanism for dealing with those so that they are not part of the logjam, the principles having been established in previous adjudications, with a mechanism for those to be applied either nationally or through the Court itself in a very limited area.

My last point is more of an observation. It is to do with paragraph 35. I welcome Pádraig's comments introducing the topic by going back to the fundamental human rights that are underpinned by the 1948 declaration on human rights, which underpins all other human rights; they more or less flow from that. I agree that the Irish Human Rights Commission has done good work but I would not be an uncritical observer of it. I notice that in many human rights organisations, certain ideals seem to get key positions. In the Irish Human Rights Commission, there would be people who bring some ideological baggage with them. Therefore, the decisions made by these bodies can be influenced by those particular ideologies. That needs to be addressed. There is little debate or discussion about it. Oftentimes the personnel appointed reflect the individual views of a Minister or the Government who appointed them. That needs to be challenged and questioned in some instances. I feel that some fundamental human rights—this is why I go back to the 1948 document—are being sidelined and diminished to some extent, with more modern, less fundamental issues becoming populist and topical human rights issues.

Mr Seán Conlan TD:

In relation to the Bill of Rights for Northern Ireland and going back to the reference in the Good Friday agreement, I would be positive towards the idea of having a separate Bill of Rights for Northern Ireland. I have met many community groups as part of the Good Friday agreement committee. I had previously been unconvinced of the necessity of having a separate Bill of Rights within one entity and within one country, but I spoke to those groups, who felt it was important, because of the unique context

and because of the unique history, including recently, of conflict in Northern Ireland, to have a specific Bill of Rights for Northern Ireland.

One issue would create a difficulty for some people in Northern Ireland: what rights are included. Social and economic rights is an issue that is causing problems. It needs to be looked at carefully to ensure that a balance struck that benefits all people in Northern Ireland.

Deputy Roger Perrot:

Again I speak as a representative of Guernsey. Human rights under the convention have applied to Guernsey since the UK, as a high contracting party, entered into the treaty on our behalf in 1953. Human rights under the convention have been enshrined in our domestic legislation but, even before they became enshrined there, we have had cases going to Strasbourg. I had a case, the McGonnell case, which we took to Strasbourg and which I immodestly say I won some time ago, but that was before the legislation came into force in Guernsey.

There is a problem with Strasbourg in that some of the jurisprudence there has been perhaps questionable. Some pretty odd decisions have been made by Strasbourg, particularly against the Government of the UK, and it is the Government of the UK who of course are involved in defending any case that is brought on behalf of a resident of Guernsey. In my case, we had judges from those exemplars of human rights countries, Albania and Turkey; they were involved in the case in which I was involved.

That is not to say that I do not thoroughly support human rights but it may be, because of the way in which the jurisprudence has evolved, that in Guernsey we need to have a Bill of Rights supplanting our involvement under the European Convention on Human Rights. I do not know. That is a long-term view and it is only my own personal view.

My problem in respect of this paper is in respect of the wording in paragraphs 13 and 33. Paragraph 13 calls for rapid progress towards a UK Bill of Rights. That is absolutely fine but at the end it says that such a Bill should also have due regard to the

traditions and obligations of the Isle of Man, Jersey and Guernsey. My colleagues from Jersey and the Isle of Man will speak for themselves but as far as I am concerned, the sentence at the end of the paragraph 13 is entirely inappropriate as far as Guernsey is concerned. You heard me speak earlier about interference by the UK with our primary legislation. A Bill of Rights enacted by the UK could not have effect in Guernsey without the consent of the people in Guernsey, so although I endorse all that you are trying to achieve in relation to this paper, as far as a Bill of Rights is concerned, I would say that the wording is incorrect in paragraphs 13 and 33 insofar as it relates to Guernsey. I do not know whether Steve on behalf of the Isle of Man will have anything to say. Unfortunately Dan Murphy is not here at the moment to speak on behalf of Jersey.

The Co-Chairman (Joe McHugh TD):

Obviously that will have to be given due attention by the chair.

Mr Oliver Colvile MP:

I am sorry to have to do this but unfortunately I do not agree with Lord Dubs. It will not be the first time because he was my Member of Parliament when he represented Battersea during the 1980s, so he and I have had a series of disagreements over the years but on the issue—

The Lord Dubs:

Democracy.

Mr Oliver Colvile MP:

Absolutely.

On the issue of prisoners' rights, let me make it clear to everyone that in the House of Commons there was a debate about this and I think there was a vote as well. We decided as a House of Commons that we would not allow prisoners to end up by having the right to vote. One of the things we have to do as politicians is to make a decision that represents what the British people have ended up saying to us. We need to take notice of that. If the judges end up deciding that they are going to have difficulty with the democratic decision that has been taken, we have to ensure that we

produce legislation that makes it clear what the British people want. That is the reason why I fully support the Bill of Rights. That is one way we can send a clear message that the British people are not going to be told what to do by judges who are unelected. We need to ensure that the British people have their views heard.

Mr Jim Wells MLA:

I am afraid I am going to sow a discordant seed as well. There would be a lack of enthusiasm for a Northern Ireland Bill of Rights among the Unionist community. Northern Ireland is already the part of the UK with the highest level of legislation protecting human rights groups. I refer to section 75 of the 1998 Act, which goes beyond anything else that any other constituent part of the country has. We have a human rights commission, an equality commission and we see a Bill of Rights for Northern Ireland as simply a litigants' charter. It will simply be used to constantly take the democratically elected Executive to court.

Many of us also fear on a personal level that a Bill of Rights will be used to undermine the unique moral position taken by Northern Ireland on many issues. For example, there is a fear that some form of abortion on demand could be brought about as a result of legal action taken under any proposed Bill. You may think that is fanciful but in fact the human rights commission in Northern Ireland recently took the Executive to court on the issue of gay adoption, an issue that many of us find extremely difficult from a moral basis. The judgment on that was issued on Friday and the Executive lost; the Department of Health and Social Services lost that case. We are appealing it because we feel it is wide open to appeal on many points but we have already a plethora of legislation, and we recognise the dangers of this Bill and the danger that some judge from Uzbekistan or Azerbaijan would decide the moral compass of Northern Ireland and decide whether we should give prisoners the vote or not.

We think enough is enough and therefore I will not act as a cheerleader for paragraphs 33, 34 and 35, which basically are applauding the fact of all this additional legislation and trying to impose it upon us. There have been negotiations on a Bill of Rights in Northern Ireland for at least 13 years and grave reservations have been expressed. Often those who are most supportive of this are people who we would not share much

with either politically or morally. I know this organisation does everything by consensus but I cannot vote for this. It is all fine until it gets to the cheerleading sections for a Bill of Rights and then it starts to unravel.

Very few people in Northern Ireland would want to see prisoners, particularly those who have committed heinous deeds, getting a vote. Once they commit that deed, they forsake any rights they have to be involved in the democratic process. Therefore we applaud the rebellion, and a rebellion it was, in the House of Commons by a large number of particularly Conservative MPs, which meant that that vote was lost. Well done to them. We do not want to be in a position where a Bill of Rights forces us to make similarly obnoxious changes to our legislation. Human rights in Northern Ireland is at the highest possible level it could be without any further interference. Sadly, I will have to vote against this.

Hon Steve Rodan SHK:

It is not clear from the report whether any evidence was taken directly from the Crown dependencies on this matter. I want to pick up the point that Roger made on paragraph 13. The report states that such a Bill should also have due regard to the traditions of the Crown dependencies and form part of their legislation. It may be just the way it is expressed but it reads very prescriptively and it presumes the Crown dependency legislatures would want to directly incorporate UK legislation into their law. The long-standing convention is to enact our own domestic law. That already enshrines the European Convention on Human Rights. Therefore one would ask: why would we want to replace that with a UK Act that does the same thing?

UK legislation is occasionally directly incorporated into Manx law but for that to happen, the UK Act has to have a section that enables an order in council to be made to extend the UK Act to the Isle of Man. It is not clear whether that is what this wording means or whether the principles of the Bill of Rights should be such that the Crown dependencies were enabled to consider incorporating the Bill into their domestic law. I suspect that is what you mean but if you have not taken evidence it is perhaps a pity. That point could have been clarified for you but it is a point of principle that Roger rightly raises.

The Baroness Blood:

I did not intend to speak but I feel I have to respond to Jim Wells's comments. I would take completely the opposite view from Jim. As a colleague said, there is a big interest in a Bill for Northern Ireland. I know what Jim is talking about. Section 75 is in many cases just a box ticking issue. This is an issue for a lot of people in Northern Ireland. We had a big consultation on this and for Jim to sit there and say, "No Unionist would take this", how does he know that? Thousands of people responded to the consultation. Was he out sifting who was what and who was the other?

This was part of the Good Friday agreement, or the Belfast agreement, whatever you want to call it. Why is this section not being fulfilled? If it were any other section of the agreement, our elected representatives would be standing on their hind end shouting about it.

I think the last time we discussed this here we talked about a Bill of Rights for the UK and one of the Unionist representatives said that they would be happy with that. I would be happy with that too because it will incorporate the 1967 Abortion Act, and all the things that women in Northern Ireland are being denied. Jim is holding his hands up and saying he is making a case. He talked about the case recently on gay adoption. Who gives these people the right to sit in judgment? I am all for choice and I would give anyone in this room their choice. I do not have to agree with you. Let me put it on record: I do not agree with abortion but I do agree with women having a choice and that is the issue in Northern Ireland at the moment.

Unfortunately our elected powers have been caught on a hook because Marie Stopes has opened an office. I would have preferred that not to happen. I would have preferred for nine-week abortions to be under the national health because these women will have to pay over £500 to Marie Stopes.

I take Lord Dubs's point about votes for prisoners and I think the British Government missed a trick. They could have said that, if they had a sentence of up to four or five years, they could have a vote and that would have been fine by me. That is not to say that all those prisoners should have got a vote but somewhere along the line we have to clear this up. We have been talking about this for the past three or four years.

There are elected representatives in Northern Ireland who oppose it. That is fine, I support the right to oppose but an awful lot of us out there do not.

The Co-Chairman (Joe McHugh TD):

Thank you for those contributions.

Mr Pádraig MacLochlainn TD:

I have spoken with the co-chair and executive. Because there is clearly a variety of views here today, we are clearly not going to have consensus, so it may be prudent for the committee to reflect on the comments that have been made and to seek to amend the report to better reflect the variety of views that are here. I feel quite confident that we can do that. I think we can achieve amendments to the report. I am mindful of a number of issues that have come up. I will cover them as briefly as I can.

Lord Dubs has raised an issue about paragraph 32. That tries to say that, in the round, Ireland and the UK have a good record of compliance, not a perfect record. Again we can incorporate that if we go back to committee and consider what has been said.

Senator Jim Walsh's comments would I suppose be aligned with Jim Wells's comments in that there are people with religious perspectives who feel that decisions on human rights can impinge on their perspectives. It is a very difficult area, and I do not intend to go into it today and court controversy, but again I think we can find a way in the committee of dealing with that issue.

Seán Conlon referred to the issue of the north of Ireland. A number of speakers referred to whether there should be a Bill of Rights there or not. We amended the report today so that the report reflected that. You will see that, in one of the paragraphs, we tried to leave it as a responsibility of the elected representatives in the north to resolve. There needs to be at some point some resolution, but it is not for this Assembly—it is for the elected representatives of the people in the north of Ireland to resolve that. Again I think we can further amend the report to address that.

The points made by Deputy Roger Perrot and Steve Rodan are valid. We need to go back and amend the report and get that tidied up so that it better reflects the concerns of the representatives of Guernsey and the Isle of Man. I will certainly do that.

There is obviously a difference of view between Oliver Colvile and Lord Dubs and between Jim Wells and Baroness Blood. Human rights is a very complex area. How do you balance the rights of citizens across the European Union and elsewhere with the need for security and the need for responsibility? It is a very difficult area. Again we will try to amend the report to reflect a balance between the positions. We want to work towards a consensus. Human rights is a very difficult issue. We in the committee will seek to amend our report and bring it back to the next session in March. I hope that the hospitable people of Donegal, with their warm welcome, will facilitate a consensus in March next year.

The Co-Chairman (Joe McHugh TD):

Obviously we need consensus and there are areas that need clarification. In the absence of the sitting chair as well, it is important that there is a period of reflection and we refer back. There is a small lesson here: these reports did not come before the Steering Committee, and I think that is something that the Steering Committee needs to look at. It is important to deliberate.

On the Good Friday/ Belfast agreement, whatever you want to call it, that was voted on by the people and part of the outcome of that referendum is to have a Bill of Rights as a kernel, as a cornerstone of the Good Friday agreement. We do not have consensus today on a number of issues, but I wanted to make that point. I second the proposal to refer it back to the committee for further deliberation, but I still think the Bill of Rights is a key and kernel part of the Good Friday agreement and we need to examine it and support it further.

Motion withdrawn.

Motion agreed:

That the report be referred back to the committee.

The Co-Chairman (Laurence Robertson MP):

I thank Pádraig and the Co-Chair. I was wondering what on earth I was to do on this one but you have kindly helped me out by accepting that it should be referred back to the committee. There are a number of different views on this. There is also the view that has not been expressed: rights are better enshrined in individual pieces of legislation, rather than in an overarching Bill of Rights, which is subject to being developed by lawyers and ends up being unrecognisable compared to where it started. There is that perspective as well, which I would not have put forward, had we not withdrawn the motion, but I thank Pádraig for all his help with this.

It has been an extremely interesting day, so thank you to everyone who has contributed from the platform and individual Members ...

Tuesday 23 October 2012

The Assembly met at 9:35 am.

SCOTTISH ECONOMY: EMPLOYERS' PERSPECTIVE

The Co-Chairman (Mr Joe McHugh TD): Order. Good morning Members.

This morning, we welcome Mr Iain McMillan from the Confederation of British Industry (CBI) to hear about the employers' perspective on the Scottish economy, and we are very grateful to him for being here. Yesterday, we heard the trade union perspective on the current state of Scotland's economy. Obviously, there was a little digression into the West Lothian question. However, we are very flexible at the top table and we do not control democracy in any way. Whatever way it goes, we facilitate it as best we can.

Mr McMillan has the opportunity to give us an employer's perspective, after which, I hope he will answer the wide variety of questions which will no doubt be provided in this morning. Mr McMillan, you are very welcome. We are looking forward to your presentation.

Mr Iain McMillan (Confederation of British Industry): Thank you very much for those very kind words of introduction, and thank you as well for inviting me to address the Assembly. It seems to be a very large attendance. They must have heard that I was coming here. Either that, or the hospitality of Glasgow City Council last night is having an effect on some people's punctuality. Anyway, it is jolly nice to see you and, as I say, thank you very much for inviting me.

Both Ireland and the UK have a shared interest in one another's economic success, and it is most encouraging that prominent policymakers are meeting in a forum such as this to consider how that might best be strengthened. However, before I get into the main body of my address regarding the Scottish economy and trade, let me give you just a little bit of background information about the organisation that I represent.

Across the UK, the CBI is the country's leading business voice, representing firms of every size and sector, which together employ around one third of the workforce in the UK. That is also true of Scotland as well; CBI members employ one third of the Scottish workforce. We have operations in 13 regions of the United Kingdom, and we have offices in Brussels, Washington DC, Beijing and New Delhi. We represent the interests of private sector organisations ranging from micro and small firms to multinational companies and trade associations. Our aim is to ensure that the views of business are heard in the corridors of power in London, Edinburgh, Belfast, Cardiff and internationally, in order to enhance the prospects of our economy.

I can tell you with some confidence, that that work has never been more important than it is right now. The reason for that of course is that the economies of the UK and Ireland remain subdued and it is only the private sector that can get us back to growth. Though indicators such as the level of unemployment suggest that things are not quite as bad as some had predicted, they are still not good. I am sure that I do not have to remind you that our situation remains pretty serious in the grand scheme of things.

Let me contextualise that by saying something briefly about the position in which we find ourselves. First, I will deal with the position internationally. In the euro zone, things are still pretty dire. The International Monetary Fund (IMF) expects the euro zone economies to contract by 0.4% this year, with the recession in most of the periphery increasingly spilling into other economies in the region. Also, the changes to the treaties to allow for greater fiscal integration are still not fully resolved or developed. Next year, growth is expected to come in at about only 0.2%, if at all.

In the United States, whilst new private-sector jobs rose by 104,000 and unemployment dropped from 8.1% to 7.9% in September, and growth is expected this year to come in at around 2.2%, there are real problems ahead. Growth has been declining throughout the year, and the fiscal cliff is getting closer. In January 2013, increases in federal tax and spending cuts equivalent to about 5% of GDP will automatically come into force unless the Congress does something about it. That could tip the US into another recession if it is not handled well after next month's presidential election.

Forecasts for growth in China, Brazil and India are not looking so good either. This year, China's growth is expected to come in at 7.8% and that is a bit of drop from previous years when it has been up to 9.9% or 10% and so on. We expect Brazil's growth to come in at around only 1.5% this year and India's to come in at 5.8%, which, again, is down on previous years. Overall, the IMF expects the global economy to grow by 3.3% this year and 3.6% next year. That is down a fair bit from the sort of growth of 4.5% and 5% that we saw in the past few years.

In respect of government spending, national balance sheets, domestically and internationally, are groaning with debt, resulting in serious questions about sustainability and the political will to deal with them. Here in the UK, for example, we are facing the biggest cuts in public spending since the Second World War.

We forecast this year that the UK Government will spend £137 billion more than they will raise in taxes. That will add significantly to the national debt. Indeed, the Office for Budget Responsibility (OBR) itself expects the national debt to expand by a further £250 billion over the next four years. The annual cost of servicing the debt is set to swell from £44 billion this year to £64 billion by 2016-17. Of course, the more spent on debt repayments, the less money will be available to improve competitiveness and to further invest in the long-term prospects of our economy. That is why we at the CBI believe that a concerted effort to eliminate the deficit and to start reducing the national debt must remain a priority.

The news about unemployment is not so good either. Until recently, the unemployment rate in Scotland broadly mirrored that across the UK as a whole. However, while unemployment in the UK seems to be gradually coming down now, in Scotland, it has moved up to 8.2%, and levels of youth unemployment are higher still at 21%, which continues to be a cause for real concern.

Looking to the short-term economic horizon, it is clear that there also remains little positive to write home about. For example, only two weeks ago, the IMF cut its growth forecast for the UK. For 2013, instead of a growth rate of 1.4%, we can expect a more modest 1.1%. That is very close to the CBI forecast of 1.2%. So it is a

very marginal difference. That is pretty much in line with other forecasts. The CBI does not do a separate forecast for Scotland, but others do. For 2013, growth is likely to come in somewhat lower than that for the UK as a whole. However, all that aside, perhaps the definitive statistic on the state of our economy is this: as of 2010, the UK had recovered 60% of the nominal output lost in 2008-09, although the figure was much lower in real terms, but over the same period, Scotland had recovered only a quarter. So clearly, at the risk of understating the issue, times remain very tough indeed, alas.

What does that mean for firms here in Scotland? How are they coping? We publish a quarterly industrial trend survey here in July, October, January and May, and we have quite a good idea of how things are faring. The survey covers sectors such as textiles; chemicals; food and drink; metals and metal manufacturing; mechanical; instrument; electrical engineering; and vehicle engineering.

In our more recent Scottish data, export orders and the volume of industrial output both rose. However, optimism over exports and the general business situation was becalmed. For exports, that reflects concern about economic conditions abroad, which, as I mentioned earlier, the IMF has reflected in its most recent forecasts. Domestic orders remain subdued. However, the outlook for costs appears brighter than it has been for several years. Investment intentions are mixed, with increases in spending expected in product and process innovation, and training and retraining of the workforce, but investment in buildings, plant and machinery is set to decline.

Our next Scottish survey is due to be published tomorrow. It is embargoed, and I am afraid that I am not able to share that with you. However, the fact remains that the economy is becalmed, times are very tough, industry needs to fight hard for every sale, wherever that is, and companies need to ensure that they are internationally competitive going forward. Our legislators can help with that, but that is something for us to do. We are all in this together.

9:45 am

There is, of course, much that public policy can do to assist. Europe is our biggest export market and, as I said earlier, while the euro zone crisis stumbles on unresolved, the prospect for exporters in Scotland and across the Irish Sea will, I think, remain uncertain for a while. At the macroeconomic level, UK monetary policy has rightly been eased, with schemes put in place to encourage lending to homeowners and firms. Although it is early days, it looks as if things in that regard might be starting to improve a little.

I have stressed the need to bring public spending under control, if for no other reason than to minimise the risk of further tax rises and risks to wealth creation. The most important thing that the UK authorities can do, including what they need to do for Scotland, is to continue to consolidate the public finances, keep monetary policy supportive of growth and keep the taxes we pay at internationally competitive levels. The Scottish Government's powers over the economy are mainly at a microlevel, which can do much to support the supply side of the economy. The UK and Scottish Governments need to invest for the future and ensure that their spending is targeted in a way that will help to rebuild our economy. Investment in infrastructure, international connectivity and support to industry, particularly in relation to exports, is key.

Although we have had our disagreements with the Scottish Government over some elements of their economic agenda, notably over the extra taxes on retailers and firms with empty commercial premises, we have strongly supported their ambition to fund more infrastructure, often through innovative forms of private finance — this remains a good time to purchase construction services, for example. That market is very competitive, and CBI research has shown that high-quality infrastructure is a key determinate when firms consider where to invest.

We have called previously for a more stretching Scottish target for exports to reflect the opportunities provided by the growth in world trade. We were encouraged at the subsequent statement of intent from the Scottish Government to grow exports by 50% by 2017. Our members believe that Scottish Development International, the Scottish

relation of UK Trade and Investment (UKTI), is doing good work. We support its attempts to encourage exports to, and inward investment from, specific higher growth economies, including China, India and Pakistan. However, we would like to see more government support to kick-start new air routes to key business destinations overseas and a more enlightened approach from the UK Government towards the expansion of Heathrow Airport, or some other solution to south-east airport capacity in the longer term.

Taking advantage of exporting opportunities will be crucial to the rebalancing of our economy away from its over-reliance on debt-fuelled government and consumer spending. I think that these islands have much to lose from any rise in domestic or international protectionism, and I urge parliamentarians and political parties on these islands to always make the case for open markets and free trade.

Let me say something about the supply side policies. I will start with education and skills, which have a central role to play in public policy. There is no doubt in my mind that a well-educated and highly skilled population makes all the positive difference to a country's economic prospects. I do not think that anyone would dispute that. That and good intra-UK and international connectivity are almost always cited by international business leaders who are looking to invest their capital here. With Scotland's future being built on our competing on the design, development and marketing of high-value added products, having the right mix of skills is essential to staying ahead of our global competitors.

However, real challenges lie ahead. At a UK level, the attractiveness of our skills base to potential investors has declined in relative terms over the past decade and the Organisation for Economic Co-operation and Development (OECD) Programme for International Student Assessment (PISA) test scores show our young people falling down the international ranking on maths, reading and science. We need to get Scotland working better to harness the potential of all our young people. That will require employers being able to recruit the right people with the right skills at the right time.

Building a workforce with the best skills and talents is a task for all political administrations on these islands. Here in Scotland, that requires the Scottish Government to ensure that our schools equip every young person with the attitudes and competencies they need to lead fulfilling and productive lives. Many schools do a great job, raising the standards and aspirations of young people regardless of background. However, we need to look for further and more widespread improvement, particularly as levels of attainment are rising faster in other leading and emerging economies.

Still too many young Scots are leaving school without a proper grasp of numeracy and literacy, and wider employability skills. Business has a role to play in articulating its needs and demonstrating the fulfilment and rewards on offer to our young people in business and industry.

Outside the issues of the macro economy, which is mainly the responsibility of our UK Parliament at Westminster, other areas of public policy lie within the jurisdiction of the Scottish Parliament and can make a real difference to our economic prospects. The planning system, for example, does not always work well with the interests of business and economic growth. We need to speed it up and build in a greater presumption in favour of development.

For example, the Scottish Government pledged in its 2007 election manifesto to build a bypass for the city of Aberdeen. The issue went to a public inquiry and that manifesto commitment was supported by the inquiry, which recommended that the bypass should go ahead. Yet for three years since 2009, that scheme has been challenged in the Scottish and UK courts. Only last week did the UK Supreme Court dismiss the case of those appealing against the construction of a much-needed piece of infrastructure. That has cost taxpayers money and held up a major road scheme that will greatly assist the economy of the north-east of Scotland. That is only one example. There are others and we really do need to do better.

Governments spend vast sums of money on behalf of the taxpayers on public procurement but do they always provide real value for money? Again, good public

procurement can introduce some heavy lifting into the economy and we need to get better at that, too.

There is then economic development and business support. Our agencies here, Scottish Enterprise and Highlands and Islands Enterprise, by and large do a good job but they need to keep abreast of developments in the world and ensure that they continue to support those sectors where Scotland has real prospects and competitive advantage.

Although our Parliament at Westminster holds most of the taxes that individuals and businesses pay, here we have local taxes that are within the jurisdiction of the Scottish Parliament. We have a business rate that is applied uniformly throughout Scotland. Although, as I say, the Scottish Parliament's tax powers are limited, the business rate is the one tax on business that it could vary to give businesses here an advantage.

I know that I have painted a pretty grim picture. The banking crisis and spending binge over a number of years by many governments, companies and consumers in the developed world have resulted in a pretty dreadful hangover. We do not know yet but perhaps as a former British Prime Minister said recently, the darkest part of the night comes before the dawn. There just may be some chinks of light at the end of this tunnel. Growth this year in some of the second XI countries such as Mexico, Venezuela, Chile, Pakistan and Indonesia is positive and increasing. Those are increasingly good markets for us.

For all the challenges the US faces, unemployment is coming down, car sales last month were up by 12.8% on last year, corporate balance sheets are very strong, and the housing market continues to recover, with new home sales 28% higher this year than they were last year. Perhaps, chinks of light. I mentioned the declining growth in China earlier. Interestingly, industrial production in China rose by 9.2% last month compared with a year earlier. That was up from 8.9% in August. That was more than expected, so, again, perhaps that is a chink of light.

Inflation is coming down in the UK. That should lead to increased real spending power in the economy; spending power that we have not had for several years. Our

companies enjoy excellent balance-sheet strength, as they do in the United States. Hovering at around 5,800 or 5,900, the FTSE 100 share index and the stock exchange is not signalling a future decline in corporate profitability or worse times to come. So, perhaps we are about to move forward from the black night that has been hovering for some time; I really hope so. I am convinced that if business and you, our political leaders, work together collegiately with the aim of getting through those challenges, we will get through them and move forward to better times.

Chairman, thank you very much for inviting me here today. It has been a great privilege and a real pleasure. I am very happy to take any questions that you may wish to put to me. Thank you. *[Applause.]*

The Co-Chairman (Mr Joe McHugh TD): Thank you very much, Iain, for that perspective.

Mr Jim Wells MLA: I listened very carefully to everything that you said. I was waiting for the elephant in the room, which is the independence referendum. I would have thought that you, as the leader of the CBI and such an important player in the economy of Scotland, would have a view on whether independence was good or bad and, regardless of that, what impact you feel that that would have on business in Scotland. Clearly, it would be profound. No pressure, but I would be interested to know what you feel about that very important subject.

Mr Iain McMillan: I am happy to do that. Willie, I cannot see you. Where are you?

The Co-Chairman (Mr Joe McHugh TD): I will take a few first. Willie and I were just saying hello to each other. Sorry about that; I thought that he was indicating.

Mr Chris Ruane MP: Thanks, Joe. You made reference to the IMF saying that growth this year will be -0.4%. The OBR said that we would have growth of 2.8% this year. How can those figures be so dramatically wrong? Are the OBR's figures in this instance and others robust enough? The Government are making their important policy decisions on the information that is supplied by the OBR. To be 3.2% out is a dramatic disparity.

The Co-Chairman (Mr Joe McHugh TD): Thanks, Chris. I will take one more. Daniel has withdrawn, but back into the game comes Willie Coffey, who has a question. Good man, Willie.

Mr Willie Coffey MSP: Thanks very much, Co-Chair. Mr McMillan, good morning. In your opening remarks, you said that it is only the private sector that can get us back to growth. Later, you made very supportive comments about the role that the public sector can play, particularly in the construction industry at this time and particularly here in Scotland. Could you reflect on those comments and tell us what you really think about the role that governments, councils and so on can play at this crucial time, particularly to bring forward capital spending projects and the benefit that that could have to kick-start the economy?

Mr Iain McMillan: Mr Wells said that the elephant in the room was the independence issue. It is. I deliberately avoided that. If I were speaking here to a group of MPs and MSPs, I would have no trouble in mentioning that at all. However, I am conscious that a number of you here are from the Irish Republic, and I felt that this matter was internal to the UK and Scotland, so I avoided that, but I am very happy to take questions and answer the question that you asked.

Let me explain where we are in all of this with the CBI. Our view, and we have held this view for some time, is that the United Kingdom, as a single market, is something here that we should prize. Our population in the UK is around 65 million, in Scotland it is around five million, and to have that market on our doorstep, principally south of the border, presents an enormous opportunity for business. Within the United Kingdom, things are also a lot more straightforward for us. There are differences but, by and large, we operate under the same laws, rules and regulations across the UK. We do not have any significant or major differences between north and south of the border. We have always felt that that works very well to our advantage.

10:00 am

Those who support independence will argue their case but the reality is that if Scotland becomes independent, our largest neighbour and biggest trading partner will become a foreign country. With all due respect to those in the camp that supports independence, they will argue that, oh no, it is not like that at all, we will be close to England and there will not be a border. Sorry, a lady cannot be half expecting a baby and a country cannot be half independent. You are independent or you are not. If Scotland becomes independent, then independent it will be and England, our largest trading partner and closest neighbour, will become a foreign country. We do not believe that that is in Scotland's interests.

But, we do respect the right of the Scottish people to vote in a referendum and if they do vote for independence, then that will be the end of it and I and my organisation will fall into line and respect that decision. However, that is not one that we think is right for Scotland and we will say so, and have said so.

The second question was about the IMF and the Office for Budget Responsibility, and why the expected growth rates differ. I think the IMF said it was 1.1% and the OBR said 2.8%. That is because when the OBR struck that estimate of 2.8%, the expectations and outlook for the UK economy were better than they are now. There has been a deterioration. When the Chancellor stands up to make his autumn statement, I think we will find that the OBR may well have cut its growth forecast to be more in line with some of the others but I do not know. Remember, they are forecasts, not predictions.

The third question was about the private and public sectors. Growth is dependent on the private sector principally because of the debt issue. The reality is that the country has been spending more than it has been earning and raising in taxes. It is a very serious issue. Come the end of the financial year of any entity, the deficit does not just disappear. It gets added cumulatively to the balance sheet, whether a country or a company. That was well evidenced by the outlook for the interest payments of the UK national debt of £44 billion this year, and £64 billion in 2016-17. That is the

price that we are paying for having a very large national cumulative debt. As that debt gets bigger, the interest payments are rising with it and that has to be dealt with.

I know and accept that this view does not find favour with some political ideologies but the public sector has to shrink to fit in with this country's affordability. What is important, however, and this is how I square this particular circle, Willie, is that what we do with the public sector, and how the Government — of whichever party — spends its money, it has to be spent wisely in support of economic growth to take the country forward so that all of us benefit as much as we can.

The Co-Chairman (Mr Joe McHugh TD): Willie, have you a supplementary question, I assume on independence?

Mr Willie Coffey, MSP: Yes, absolutely, thank you very much again. I was not going to mention that until Mr McMillan basically dropped himself in it there by offering his views on independence. Would you have been supportive of the Republic of Ireland becoming independent in 1922 or would you have opposed that?

Mr Iain McMillan: Willie, that is a what if.

Mr Willie Coffey MSP: Oh, that is a what if, is it?

Mr Iain McMillan: I am too old for what ifs.

Mr Willie Coffey MSP: It is an actual fact.

Mr Iain McMillan: I am not interested in that. That was 1922. The circumstances under which the South of Ireland became independent were very different from what they are today.

Mr Willie Coffey MSP: The point that I am trying to make is that I thought that we were in a European market. You seem to object to Scotland being independent, but are other countries in Europe not becoming independent, perhaps? Is it OK for them

to trade in a European trade zone but somehow not OK for Scotland, or indeed, Ireland? You cannot apply a principle to Scotland but not everybody else.

Mr Iain McMillan: I am saying that that is how we view what the single market in the United Kingdom does for us. We think that that is very important. We are not questioning the economic viability of an independent Scotland; we have never done that. We have said that we believe that the balance of advantage lies with Scotland remaining in the United Kingdom.

As far as the Republic of Ireland —

Mr Willie Coffey MSP: Should Ireland have stayed in the United Kingdom then?

Mr Iain McMillan: That is different.

The Co-Chairman (Mr Joe McHugh TD): No doubt this conversation will continue.

Mrs Joyce Watson AM: Thank you. I took a lot of notes on your presentation and, like others, I have to take issue with your opening statement that only the private sector can rescue the country. You went on to list the areas of intervention in which you would be quite happy for the public sector to assist. You said that infrastructure and connectivity were key areas for government intervention.

You also listed training, education and skills and you particularly made a point that you wanted China, India and Pakistan as key areas of inward investment along with airport expansion. In fact, what I am really saying is that there was quite a list for the public sector to invest in which did not quite fit with your opening statement.

In answer to a question just now, you mentioned balancing the books and the fact that we have a debt that is costing money. You also said that there was less tax being collected than ever. The current Westminster Government is, at this moment, collecting less tax revenue than ever. Unemployment is rising, and I saw the other day that 50% of those who are in employment are in part-time employment, so they

are still dependent on public sector support. If we carry on in the way that we are doing with the cuts in the public sector, how are we going to balance the books in the way that you imagine it is going to happen?

Mr John Scott MSP: Thank you for an excellent address, Iain. My concern is about rising unemployment in Scotland while it is falling in the rest of the United Kingdom. I want to know the reasons behind that. Is it to do with a lower or differential rate of investment here in Scotland than in the rest of the United Kingdom? If that is so, why, in your view, is there a lower rate of investment here in Scotland than elsewhere in the United Kingdom?

Mr James Dornan MSP: I would like clarification on one point, Mr McMillan. You are right about the planning blockages and that there have to be moves to change that. However, there are already moves in place to change it and the law will mean that the legal blockage that we had in the Aberdeen case should not happen again, because the objections will have to be made at the beginning of a process as opposed to during a process or at the end of one, as it is just now.

That should make it much more difficult for someone like the gentleman who was mentioned, who, I believe, has moved down south and has done exactly the same thing in his new neighbourhood — he has objected to someone taking legal action. Hopefully there are not too many of those about in the first place.

It will not surprise you that I want to go back to the elephant in the room — *[Interruption.]* There he is. *[Laughter.]* I thought that it was you, but he is sitting over there. You talked a lot about CBI Scotland's position, and you said "we". We have never seen any evidence of how many members there are and what their opinion is. There never seems to have been any opinion polls about the opinions of the individual members of CBI Scotland. Also, as an organisation whose sole remit is to support Scottish business, why do you do not want to see Scottish business having the freedom and powers to grow when you are keen to support a union whose main criterion, quite rightly, is to make sure that, in the boom times, the south-east of England does not overheat and, in the bad times, the south-east of England is

protected? Surely it is better for businesses if those sorts of decisions are taken nearer to where the businesses are located.

Mr Iain McMillan: The first question was from the lady down here about the public finances. I think that I answered that partly earlier about the reduced spending envelope being spent well in support of education and skills and in the supply side of the economy. That is what I meant by that. We need to spend our money well in those areas. I do not like answering questions with a question, but I am going to make an exception: what is your view? Do we just allow that debt to continue to balloon and get bigger and bigger? We will end up like Greece. Come on.

Mrs Joyce Watson AM: I will answer your question since you have so requested. My answer is very simple: if you carry on with the economy in the way that you are doing, putting more and more people out of work and allowing them, as you have just said, to languish on the scrapheap, where they are not having any education or skills training, where is your future? I will put the question back: where is your future if you leave people out of work, out of the jobs market and out of training?

Mr Iain McMillan: OK. Fair enough. The first thing is that, in the longer term, if we do not cure the deficit and get the cost of the deficit down, it will be worse. Let us agree to agree on that, at least; it will get worse. We have to do something, but that does not mean that people who are unemployed should just be left to get on with it. We do not believe in that kind of laissez-faire at the CBI. Employers have a role to play to give people work experience to try to make them fitter for the upturn when it comes, and so on. We have been working with the UK and Scottish Governments to try to make that possible. We are not dismissive of any of that. It is important. It is a difficult circle to square, but we have to try to square it in some way.

You are politicians; the public expect you all to have answers to the most difficult questions. As I mentioned earlier, there is the binge and the hangover. Sometimes, you just have to take Alka-Seltzer and wait for another night's sleep.

The next question was about planning. That was a good point. There are some changes coming to the planning system. I accept that. The kind of situation that we

found ourselves in with the Aberdeen peripheral route is something that, hopefully, we have seen the last of. I am not saying for a minute that individuals' rights and the propriety rights should be disregarded. That is not the kind of thing that we should be getting ourselves into here. However, where an individual can go to the courts, appeal through the courts and then have yet another appeal, with their own personal costs being capped at a particular level, there has to be a greater interest towards the general public and the needs of the economy. It is a case of getting the balance right.

10:15 am

The last question was about having the freedom to set our own laws and rules and all the rest of it. We just may find that the power of an independent Scotland to do that may not be as you think it would become. For example, the Scottish Government have said that they would keep the pound sterling. If sterling is kept here in Scotland, the Government of the UK, or what is left of the UK, would, I think, impose pretty severe fiscal conditions on a Scotland that remained in a sterling zone. That would almost set a Budget envelope. Chancellors used to call it the Budget judgement — the overall balance between tax and spend. I think that the UK Government would be likely to impose conditions there, in the same way as the European Commission and other European key players seem to be moving towards some kind of fiscal treaty in the euro area to avoid the situations that have happened in some countries.

OK; the individual taxes would be levers, but as one lever is pulled down another might be pulled up and that would not be cost free. Companies would have to segregate their taxable profits in Scotland from those in the rest of the UK, so that the right amount of corporation tax could be charged north of the border. There would be a tendency, I think, for companies to take the greater part of their profits in the lowest tax jurisdiction, which does not always work terribly well either. I do not have intimate knowledge of the case that arose last week about one of the large coffee shop chains, which has many branches throughout the United Kingdom but pays almost or no corporation tax at all. The reason cited for that is that it pays a huge cost to the parent company in the United States, so the company's taxable profits in Scotland go down but its taxable profits in the other jurisdiction go up, and that is where it pays the lower rate of corporation tax. We would find that Her Majesty's Revenue and

Customs (HMRC) on the island of Great Britain would police that ruthlessly. It would be very intrusive, and rightly so. Individuals and companies should pay the right amount of tax. So, that is a barrier that is not helpful and it is the kind of thing that I am thinking about. I am not arguing against the legitimacy of the point that you made. The nationalist argument in favour of independence is legitimate, but I am saying that, on balance, we believe that the preservation of the United Kingdom and its single market on this island is best.

The Co-Chairman (Mr Joe McHugh TD): I know that James wants to ask a supplementary, but I will include that as part of the last block, because we are running against time. So, I will take your supplementary first, James, and that will be followed by Mary Scanlon.

James Dornan (MSP): Briefly on that; despite the fact that we would have the Bank of England as a lender of last resort with which, clearly, there would have to be a close working relationship, independence would still give us the fiscal levers and more powers over the opportunity for growth in Scotland. Also, you never answered the question about why you have never reared up against —

Chris Ruane (MP): Chair, I thought that you made a ruling that the gentleman was going to be heard at the end.

The Co-Chairman (Mr Joe McHugh TD): No; just as part of the next block.

James Dornan (MSP): Sorry about that. You have never said why you think that it is OK for the south-east of England to have priority over the area that you are responsible for in the existing market.

Mary Scanlon (MSP): Iain, given that you stated that you are the leading business voice and that you represent one third of the workforce in Scotland, I do not apologise for asking the same question as I did yesterday of Grahame Smith of the Scottish TUC. We constantly hear that there is uncertainty about inward investment and investment in existing business. Grahame did not seem to feel that there was an uncertainty factor. Given that we have to wait another two years until the

referendum, what is the CBI's view? On behalf of your members, do you feel that there is an uncertainty that may adversely affect investment?

Mr Stephen Lloyd MP: On the jobs front, I think we actually have more people employed since 1971 and a million new jobs in the private sector in the UK since the General Election, which is pretty impressive, considering that the rest of Europe is going in the other direction.

My specific question is about apprenticeships. The UK Government have been putting a lot of emphasis on apprenticeships and the latest figures show that there have been over 500,000 new apprenticeships since May 2010. The conversion rate of those apprenticeships into full-time employment is very high. In my constituency we are running at a 92% conversion rate, which is astounding compared with most public sector job enhancement programmes.

What are the CBI and the Scottish Government doing on apprenticeships initiatives and on working together with business in Scotland to push them?

Mr Oliver Colvile MP: Thank you very much, Mr McMillan, for a very realistic assessment of the direction in which you see the Scottish economy going. Do you also recognise that a failure by the British Government to sort out the deficit will only end up in having an impact on higher interest rates, which will affect mortgage interest rates and, consequently, householders throughout the whole of the country?

Mr Ken Skates AM: There is now a larger university-educated middle class in India than there is in the whole of western Europe. You are probably aware that there is a group of eight universities in China that are putting together a campus that will have more postgraduate research places than there are in the whole of the UK.

Do you think that our higher education institutions are gearing up sufficiently to maintain our competitiveness?

Mr Iain McMillan: OK. The first question was about the Bank of England and whether it was the lender of last resort. Well, would it be? It might not be. Have the

Scottish Government entered into any discussions with the UK Government or the Bank of England about the arrangements that may be put in place after secession? The whole thing is very obscure and a lot of work needs to be done on that so that people such as us and others can assess what the position would actually be. I am sorry, but to assert that the Bank of England would be the lender of last resort is not good enough.

You then mentioned the south-east of England. I am not sure if that assertion is true. There are representatives from all over the United Kingdom in the House of Commons. Any government that tries to favour one region over another would be in trouble with the legislature pretty quickly. I do not believe that that assertion is true.

The economic conditions that the Government attempt to set throughout the United Kingdom, in my view, are for the United Kingdom as a whole. I do not accept that the south-east of England is deliberately targeted for advantage at the expense of the rest of the UK; I just do not believe that.

The third question was about the uncertainty of independence. Of course there is uncertainty. I meet business and industry leaders all the time. Their position is that they need to have a productive and good working relationship with the UK Government and the Scottish Government. Most of them are not going to put their heads above the parapet and say that independence is causing uncertainty because that could put them in a difficult position in their relationship with one legislature or government or the other. They are being very cagey about what to do in that regard.

We know that the prospect of independence is causing uncertainty. We know that companies in Scotland are risk-assessing their futures north of the border. The worry is that they will go ahead and make arrangements to mitigate that risk which, in aggregate, is not good for Scotland, but then do not say that they are doing it. I do not blame them. They get chewed to bits by some politicians if they say one thing or another on that, but it is true. It is being risk registered and risk mitigation measures are being put in place.

On new jobs in the United Kingdom, you mentioned apprenticeships. That applies north of the border here. The precise detail might not be quite the same, of course, because skills and apprenticeships and so on are under the jurisdiction of the Scottish Government and not the UK Government, but there is a concerted effort north of the border to increase the number of apprenticeships for young people. That is something that CBI Scotland is actively involved in.

The fifth question was about the deficit. Yes, if the signals go to the international financial markets that the UK Government are softening their resolve to deal with that deficit, that could put their credit rating at risk and the cost of servicing the national debt could increase as a result of that. That is a risk. That is not just Iain McMillan up here saying that. The IMF and others — serious commentators in the world — have made that point as well. There is no easy way out of this. In fact, it was a former Labour Prime Minister, James Callaghan, who said that Britain could no longer spend its way out of economic difficulty. He said that in the 1970s, and he was quite right.

There was a question about higher education. 'The Times' rankings, which were published two weeks ago, show that some of Scotland's universities have slid down the rankings. Edinburgh is now the only Scottish university in the top 100. Our universities here are very good. I am the chairman of the board of Strathclyde Business School, which is the top business school in Scotland. It is the only one that is triple-accredited by the European Union, the UK and the United States. It came top in the last research assessment exercise in Scotland and it has done very well, comparably, south of the border as well. However, we are slipping, and the amount of resource and energy that is being put into higher education in some of those emerging countries is considerable and is something that we really need to keep a close eye on and make that we are up there with the very best.

The Co-Chairman (Mr Laurence Robertson MP): OK; we have come to the end of what I think has been an extremely interesting session. Iain, thank you very much indeed for a very interesting presentation and your forthright replies to so many varied questions. Thank you very much indeed. *[Applause.]*

The Food And Drinks Sector In Ireland And Scotland

The Co-Chairman (Laurence Robertson MP):

The next business is a presentation by Ms Ailish Forde, head of industry affairs and alcohol policy with Diageo Ireland and Ms Jane Richardson, corporate relations director with Diageo Scotland. Diageo is, of course, a big player in both Ireland and Scotland, manufacturing the national drinks, Guinness in Ireland and malt whiskies in Scotland. After last night's hospitality drink is possibly the last thing we want to discuss at the moment, but I am sure we will have some very interesting presentations.

Ms Jane Richardson:

My name is Jane Richardson corporate relations director with Diageo Scotland. I am delighted to be accompanied by Ms Ailish Forde, head of industry affairs and alcohol policy with Diageo Ireland. This is the first time we have presented together and we see it as a big opportunity to show the similarities and connections between Diageo's business in Scotland and Ireland. The Members will see in our respective presentations similar themes and connectivities. Both countries are extremely important for Diageo's business. This is an opportunity for us to explain the importance of the geographies of both Scotland and Ireland to Diageo. We both make a contribution to the economy and to tourism. We also have a role in contributing to communities.

We both need to ensure we are competitive in global manufacturing. In Scotland we have our Scotch whisky industry and in Ireland as well as Guinness we also have Baileys and Bushmills production. There is also interdependency between the two geographies that we want to explore and we look forward to Members' questions at the end of the session.

Diageo is the world's leading premium drinks company. In her presentation Ailish will give more details on our brand collection. Some 40% of our business is in the fast-growing emerging markets overseas. In Scotland we are really dependent on the continued growth of emerging markets and we expect that by 2015 the developing markets will contribute more than 50% of Diageo's net sales. We really rely on enhancing our position through world class marketing and continuing to innovate with

our brands to make them attractive to new consumers outside the traditional markets in Europe and America.

I will give a brief outline of our financial results. Diageo recently entered the top ten in the FTSE 100 and, as the slide shows, our net sales and operating profits have increased. We have a turnover of more than £10 billion and an operating profit of more than £3 billion. I stress our reliance on the faster growing markets of Asia, Latin America and Africa, where we have seen growth.

It is important to understand our geographic spread in order to understand our businesses here in Scotland and also in Ireland. In terms of sales they are relatively small but in terms of our footprint here and what Diageo production brings they are extremely important. Approximately one third of our business is in Europe, which as Members will know is an extremely tough market. The slide shows the net sales by region with the green area being Europe with 28% of sales. The net sales growth is reflected as minus 1, which clearly takes into account a very broad range of countries. Some markets in eastern Europe and Russia are in growth whereas there are issues in southern Europe, with which we are all familiar. In the emerging markets growth reaches double-digit figures.

Scotland is Diageo's biggest global supply centre, with about a third of the company's global production. Europe's supply is headquartered in Edinburgh. From Edinburgh we manage production not only in Scotland but also in Ireland and Italy, where we have a plant in Santa Vittoria. We have approximately 4,000 employees in more than 50 sites Scotland, including malt whisky distilleries, two bottling halls, a cooperage, coppersmiths and our corporate offices in Edinburgh. We produce more than 50 million cases of premium spirits per year, the majority of which is Scotch but we also bottle other brands here, including Smirnoff, Captain Morgan and Tanqueray.

We are very excited to be the owner of the Gleneagles Hotel, the host venue for the 2014 Ryder Cup. One of my colleagues, Ian Smith, luckily went to Chicago recently. He was in Medinah and came back very pumped at the thought of the Ryder Cup coming to Gleneagles, having experienced the fantastic win for Europe over there. Just after the Ryder Cup finished some of you may have seen in the news that Paul

Lawrie brought the trophy back to Gleneagles following the big turnaround for the Europe team. The Ryder Cup is the world's biggest golf event with a global television audience of more 500 million - only the Olympic Games and the Football World Cup are bigger. In addition to owning the Gleneagles Hotel, host venue for the 2014 Ryder Cup, Diageo is an official partner for the 2014 Ryder Cup. Golf and Scotch whisky are Scotland's most famous and successful exports. The Ryder Cup offers massive opportunity to generate tourism and investment in Scotland. Following hard on the heels of the Chicago event, we are looking at how best we can do that. We are talking to our partners to establish how we can play the best possible role we can.

In addition to the production facilities I mentioned, we have 12 distillery visitor centres across Scotland and last year welcomed more than 270,000 visitors from 40 countries. These are obviously mainly people touring Scotland on holiday. We also use distilleries and other assets such as the Gleneagles Hotel. We have our own castle in Speyside to train our salespeople, distributors and customers in our brand and particularly to get them to understand where Scotch whisky comes from and how it is made. In addition to bringing in tourists we also bring in international sales and redistribution people in our business. Unsurprisingly the fastest growth in visitors is from the emerging markets of Asia and Latin America. This week one of my colleagues is bringing a media group from Latin America through Scotland. That will be followed by another group coming from Africa. We are seeing considerable growth in Africa and we are educating our people there on how Scotch is made and how it tastes. We use Scotland to sell Scotch whisky around the world.

In the past year, global net sales of Scotch increased by 12%, which is nearly a third of our net sales. That is how important Scotland is to Diageo. Scotch must be made in Scotland by law. It must be distilled in Scotland and matured in oak casks for a minimum of three years. More than 80% of Diageo net sales growth in Asia-Pacific was delivered by Scotch and we are seeing a real demand from those markets for new versions - limited editions and differently packaged versions of brands such as Johnnie Walker, which leads our net sales globally. However, there are brands with which we are not so familiar because they are focussed on export markets. These include Buchanan's, which is extremely popular in Latin America where there has been a 28% growth. There has also been 11% net sales growth in North America

where the Hispanic community living in North America really identify with that brand. J&B whisky posted 21% net sales growth in Turkey, another market with a growing interest in Scotch.

In order to meet the continued growth in demand for Scotch, particularly from overseas markets, Diageo has had a significant investment programme. In the past six years we spent £600 million to create a new malt distillery at Roseisle in the Moray Firth. We invested in our Cameronbridge grain distillery in Fife where we also created a bioenergy power station to power the plant. We invested in a new bottling hall at Leven in Fife and a brand new cooperage at Cambus encompassing all the traditional elements of a cooperage placed in a modern setting and there have been new apprenticeships there. More than £20 million was invested in Speyside in growing distillation capacity more generally.

I will now show a short video, which starts with our Roseisle distillery. I will not talk but will let Members watch.

I hope that video gave a snapshot of the scale of the investment. We are talking about a great number of locations and a large amount of money.

While there is continued growth in emerging markets, we need to consider that Scotch needs to be aged. For example, Johnnie Walker Black Label, one of our biggest selling brands globally, has an age statement of 12 years, which means that the whiskies being made will need to age for 12 years before they can be sold in the market. So we need to think ahead. In June we announced that we plan to invest over £1 billion in Scotch whisky production and maturation over the next five years to meet growing global demand for our brands. This investment includes: a new malt distillery and possibly a second if demand continues; major expansion of approximately 50% at a number of existing distilleries; and investment in new warehousing capacity to house the additional liquid that needs to be matured.

I will show another video to explain that investment.

Along with that announcement, our chief executive, Paul Walsh, also made a commitment on apprenticeships. We plan 100 apprenticeships over the period of construction. We are also talking to suppliers about how we can work with them for job creation over that period and beyond. In addition Paul Walsh also announced a £5 million community programme to last for the period of the investment. One of my key roles at the moment is to consider how best to spend that money. We are particularly interested in developing employment and skills for young people. I am in the process of research in these areas before we launch something next year. We are already talking to various Government bodies. It is very exciting news that is driven by our growth overseas. We always need to balance that with the manufacturing story which is that we need to be globally competitive on our production business.

On the community side we obviously already run community programmes in Scotland. Ailish will go through some of the programmes in Ireland and I would be delighted to take Members' questions on any of these topics after she has finished.

Ms Ailish Forde:

I thank the Co-Chairmen for having us here today. As Jane explained we are doing a double-hander here to try to show the synergies between the two businesses in Scotland and Ireland and also to try to show the interconnectivity, not only for our company but also for a number of companies that might have operations in both countries. It is opportune that I am here today because this week we have an inaugural event in our brewery at St. James's Gate in Dublin which is the announcement of a new investment of more than €150 million into that brewery to consolidate our brewing operations and I will talk about that in a moment.

As Jane already went through the spectrum of our brands and mentioned a number of them in her presentation, I will not dwell on that. Diageo is the world's premium drinks business and has a fantastic collection of brands. As Jane already went through many of the statistics on my next slide I will not dwell on it. Ireland is a very important part of the Diageo family - important as a market in its own right, but even more important in the huge export business we have from Ireland. The beer we produce in Ireland is being exported to more than 150 countries throughout the world. Diageo is a core part of the agrifood business in Ireland. To a certain extent I am

wearing two hats today because I am also very involved with the British Irish Chamber of Commerce that was established approximately 18 months ago. The chamber recently established an agrifood business committee to explore these issues and discuss the links between these islands in the agrifood business.

Although Ireland is a small market for Diageo's beer business, it is regarded and an innovation hub where many of our ideas and concepts are developed. They are then launched in the Irish market because it is a small market and one that is conducive to doing business. That allows us to take those products and export them to other countries. Very often the first market in which we do that is here in the UK because the taste would tend to be similar and then we go further afield. I will outline some product names to give Members some idea of that. In recent times Guinness Black Lager was developed in Ireland, launched in the UK and is now taking America and the Far East by storm. Other similar products would include Smithwick's Pale Ale and Guinness Mid-Strength. That gives an idea of how we operate.

We export drinks with a value of more than €1 billion, which is very important for Ireland as an economy. During the boom years in Ireland, in many ways the agrifood industry was almost seen as a poor relation compared with technology and financial services. We are now getting back to basics and beginning to realise that this is a really important sustainable industry. It is important in terms of employment and exports. All the economists have been consistent in saying that recovery in Ireland will come through our exports and our exporting sectors, which very much include the agrifood business and we are very proud to be part of that.

As Jane mentioned about Scotland, we are also proud to support Irish tourism. Our biggest focal point is the Guinness Storehouse which many of those present may have visited. Some 1 million tourists visit the Guinness Storehouse every year. We recently made a new investment in that which will see those numbers increasing. It has been named the number 3 branded tourism attraction in the world, something of which we are very proud. We use it not only for tourists visiting the country but also use it to host events. For example, next year Ireland will host The Gathering 2013, which represents a very important opportunity to welcome people to Ireland. We will be using the Guinness Storehouse as a means to do that. We use it to entertain clients and

also use it to entertain visiting dignitaries. Last year we were very proud to welcome Her Majesty Queen Elizabeth II to the Guinness Storehouse. We have also welcomed the British Prime Minister, David Cameron MP, and President Obama of the United States. We see that very much as part of our business. We also do it as part of tourism generally. Recent Tourism Ireland research indicated that one of the prime things tourists do in Ireland is to go to a pub and have a drink with the locals because they see that as being a very Irish experience and we are very proud to support that also.

We regard our agriculture footprint as being very important to Diageo. We support more than 19,000 jobs in the agriculture sector, which is equivalent to a contribution to the rural economy of more than €270 million. Diageo buys almost 13% of Ireland's barley production and accounts for 50% of the malting capacity. In addition we purchase approximately 5% of Ireland's milk output for the production of Baileys Irish Cream. That equates to 40,000 cows grazing on 1,500 selected farms. Overall Diageo is supporting some 6,000 farming families in Ireland of which we are very proud.

We are also committed to the responsible promotion of our products, something we take very seriously in whatever market we operate. In Diageo it is non-negotiable - we have a responsible-drinking programme in every market in which we operate. That is true in Ireland where we have a very strict co-regulatory regime on alcohol advertising and promotion. The drinks industry has invested €20 million in the past five years on responsible drinking initiatives to reduce alcohol harm. We are conscious that while the majority of our consumers enjoy alcohol sensibly there is a minority who drink irresponsibly and we are very committed to looking at that issue and finding ways to address it.

We have seen progress but recognise that there is more to do. In the past ten years consumption of alcohol in Ireland has reduced by almost 20%. Teenage drinking and public order offences are also down. Most importantly to me, consumer attitudes towards the acceptability of drunken behaviour are changing. With drunken behaviour we believe we need to get to where we are with drink driving and that it becomes something people are ashamed to do and do not do. Already we can see that young people's attitudes are changing through our drink-aware activity in Ireland. Nine out

of ten young people will now say that they recognise that it is not acceptable or attractive to be drunk in public. We see that as progress that we need to continue. However, we can only do that by working in partnership with Government and other stakeholders. We are confident that we can do more and we are committed to do more.

We are also very involved in the community, which takes a number of guises. Three years ago to commemorate the 250th anniversary of the brewing operation in Dublin, we established the Arthur Guinness Fund. It is one of the biggest annual corporate social responsibility programmes in Ireland, supporting social entrepreneurs. Thus far we have invested €2.5 million in that project and have supported 30 social entrepreneurs. They are based throughout the country and are involved in activities such as recycling of bicycles and labour-force activation. We really enjoy doing it and certain Diageo employees are involved in every aspect. It is one of the areas of my job that I really enjoy very much. So far those social entrepreneurs have touched the lives of more than 40,000 people in a multitude of ways that are enriching to communities. We see it very much as a continuation of the legacy of Arthur Guinness, who was, perhaps, the leading social entrepreneur. That is something we will continue to do.

The next two slides show pictures of where the company has been in the past 250 years and where we intend to go in future. With all the technology and innovation we have at our hands we intend to be there for the next 250 years. This brings me on to the brewing investment in Ireland. On Thursday the sod will be turned at St. James's Gate to initiate that. The €153 million investment to centralise our brewing centre of excellence in St. James's Gate shows a very important commitment to the economy. It will also mean 300 additional construction jobs and we all know how the construction sector has been decimated in recent years. This will be the largest construction project in Ireland for this year and next year.

The investment will allow us to compete even more strongly from our Irish brewing base. Jane mentioned the situation in Scotland and it was similar in Ireland. In order for us to remain competitive in our export markets we have to consolidate the industry in Ireland. Coming with that are tough decisions. Two of the toughest decisions were the decisions over our breweries in Kilkenny and Dundalk, which will close. They were not decisions that we took lightly and we are working very hard with our

employees there who have given us so much over the years to allow them to work for us in other areas or to help them with career options elsewhere.

This is a very significant investment that will allow us to create a brewing centre of excellence in the heart of Dublin, which shows a vote of confidence for Diageo in Ireland and also for Ireland as a whole. It will allow us to support the growth we are seeing in our export markets. Guinness grew globally by 4% last year. For us that will mean more jobs in Ireland in terms of additional supplies to service those emerging markets. It will allow us to continue to innovate and develop new brands to be sold globally.

I hope we have given some idea of what we do in Scotland and Ireland, and the connectivity between us. I mentioned that I was on the agrifood business committee of the British Irish Chamber of Commerce. In coming years the chamber will commission a study into the interconnectivity of trade between these islands, which is important to do. More than anything it is probably important to articulate that interconnectivity so that people remain very aware of it. I thank the Members for listening. We will be happy to take any questions.

The Co-Chairman (Laurence Robertson MP):

Thank you very much indeed, Ailish and Jane. That was a very interesting and is obviously a great success story. With another of my hats I chair the all-party Ethiopia group in Parliament and I understand Diageo has opened a brewery near Addis, which I am hoping to visit next month. I am sure the conference finds that interesting.

There are a number questions and I call Deputy Roger Perrot, followed by Jim Wells MLA and Ann Phelan TD.

Deputy Roger Perrot:

I add my congratulations for a super set of presentations giving a very uplifting story. It is good to know that the whisky industry in particular is doing so well in Scotland. I am proud to say that I make a major contribution towards the profits of the whisky industry, but I do not believe it is one of Diageo's products - it is Glendronach whisky which is probably Allied Domecq.

Years ago I seem to remember one of the problems distilleries had was that they were functions of the marketplace and were quite often mothballed as a result of the moves in demand in Japan. Is that still a problem? Are Diageo's distillery workforces at risk as a result of mothballing or is that something the company has now taken care of?

Jim Wells MLA:

I come at this from a totally different angle. It is worth stating that the oldest distillery in the world is Bushmills in Northern Ireland, of which we are very proud and the best golfer in the world, Rory McIlroy, is also from Northern Ireland. I notice that Ms Richardson did not mention that we - not Scotland - have the best golfer in the world. However, I turn to something much more serious. There is a social cost to all of this. I am heavily involved in health. The latest statistics show that abuse of alcohol in Northern Ireland costs us £690 million a year. There is a huge spike coming in liver cancers in 40-year olds as a result of binge drinking in their teens and 20s. Already the cancer experts are seeing many young men presenting with terminal cancer and sadly coming behind them in five years are women who engaged in binge drinking in their teens and 20s. One of the slides in the presentation showed incredibly gorgeous women in a Diageo product advertisement. I am teetotal so it does not affect me. However, such images suggest to young men that if they drink, they will attract very glamorous young women. Drink is being portrayed as being very sexy and pleasant, and yet the downside is enormous.

The presentation referred to a 12-year timespan and I understand how difficult that is. In that 12-year timespan is Diageo pricing in a greater prevalence of alcohol control in western Europe? That must have an implication for the company. I am extremely keen on minimum unit pricing. Our Executive is pushing as hard as it can to stop promotions such as two drinks for the price of one and "all you can drink" for a tenner, which cause huge problems.

Ms Forde referred to a downturn in binge drinking. A Saturday night in Temple Bar, Dublin, or any of the nightclubs in Northern Ireland would not reflect that. Even in Glasgow from my brief experience of Saturday night, I did not see an awful lot of it, particularly among the Rangers fans who were celebrating getting to the top of the

third division. Diageo must be realistic and while it may have a corporate view that it is doing its best to control this, the reality is that it is still causing major damage. The writing is on the wall that controls are coming and have they been taken into account in Diageo's projections.

Ann Phelan TD:

I direct my comments to Ailish, who will forgive me for being very cross with Diageo. I come from Kilkenny and was interested to hear about the law requiring Scotch whisky to be made in Scotland. It is a pity that we do not have a law requiring Kilkenny beer to be brewed in Kilkenny. As with everything, including beer, it seems we get language from different directions. What you referred to as consolidation actually meant redundancies. We lost the brewery in Kilkenny and there have also been redundancies in Dundalk. However, consolidation - your word - is being portrayed as a really good news story with the investment of €150 million going into St. James's Gate. I, for one, am very cross with Diageo at the moment.

The Co-Chairman (Laurence Robertson MP):

I thank the Members of the questions and comments.

Ms Jane Richardson:

I will take the first one about mothballing distilleries. I believe Deputy Perrot is referring to the fluctuation in demand over the years and particularly in the 1970s when what was called a Scotch whisky loch was created as too much whisky had been produced and demand had fallen. In the video I showed, our chief executive talked about the global nature of our business where one market might be weak, but others might be stronger. Based on current sales and forecasts we believe the growth in emerging markets will continue. Only this week one of our peer groups in the industry, Pernod Ricard, made an announcement about a distillery development on a mothballed site - Imperial. We are continuing to build and expand distilleries. We are confident based on what we see in emerging markets that the growth will continue. Others in the business are showing that confidence and are considering taking distilleries out of mothballs and back into production.

Ms Ailish Forde:

I will deal with the question from Jim Wells MLA on binge drinking. The statistics I quoted were official statistics. I do not suggest that we believe the problem is solved - we know it is not. However, at least we can see we are heading in the right direction albeit with much more work to do. I agree with him about binge drinking. That remains the crux of the problem with people who drink irresponsibly. Even though from the statistics in Ireland the incidence of teenage drinking has reduced, we know that when they drink they still drink too much in any one session, which is something we really need to address. I agree with him absolutely. We are very committed to being involved in whatever way we can in addressing that issue because misuse is a serious problem. It will only be addressed by people being fully aware of the harm they can do to themselves by drinking irresponsibly and by changing the culture that allows that to be acceptable. I do not believe that will happen easily or quickly, but we all need to work together to ensure it happens.

I wish to respond to Ann Phelan TD. I was not in any way trying to be disingenuous or use language that way. I know that it has been really tough on people in Kilkenny and Dundalk. I mean that genuinely. We have done whatever we could do as a company to help our employees because they are fabulous and talented people, and we really appreciate the contribution they have made to the business over the years. We were put in a competitiveness situation where if we were to keep the business, as we wanted to keep it, in Ireland, we had to look at the way in which we were doing business and we had to make those decisions as part of that. However, in no way did we take that decision lightly and I genuinely was not trying to be disingenuous when I said that.

The Co-Chairman (Laurence Robertson MP):

I call Senator Paul Coghlan followed by John Scott MSP and Willie Coffey MSP. I ask speakers to ensure the microphones are switched on when they speak.

Senator Paul Coghlan:

I compliment the two girls, Jane and Ailish, for the comprehensive overview. We have got to know the name Diageo, but Guinness is such a well-known international brand name. Why is the company called Diageo rather than Guinness? I suppose we

are partial to Scotch whiskies - not in preference to Irish obviously. Am I right in saying that most of Diageo's Scotch whiskies are blended whiskies? However, I believe I saw the name "Talisker" flash by during the presentation and I understand that is a single-malt whisky. We noticed a lovely new one across the road in Òran Mór on Sunday evening, called Macallan Gold - I am not sure whether it is one of Diageo's. While this could be a marketing ploy, there seems to be a move away from age statements - although Jane mentioned 12-year old. During this visit to Glasgow I was told that Macallan has discontinued its ten and 15-year olds in preference for Macallan Gold along with a "Fine Oak" and master's edition or something. Is that simply marketing or is there a continuing requirement for age statements?

John Scott MSP:

I congratulate Diageo on its success and I thank Jane and Ailish for their presentation. Given that success, what can politicians and governments in the UK, Ireland and Scotland do to further its development and job creation in Scotland and elsewhere in these islands?

Willie Coffey MSP:

I thank Jane and Ailish for their presentations this morning. Having heard the Diageo presentation it is a pity that Mr. Iain McMillan CBE is not still here. Given the level of investment being announced by Diageo in Scotland, when its chief executive, Mr. Paul Walsh, was asked directly about Diageo's attitude to independence in Scotland he was completely relaxed about it. I am just saddened that Mr. McMillan has not remained to hear those kinds of comments from a company with a turnover of £10 billion.

I represent the town of Kilmarnock, which is the home of Johnnie Walker. While we have had the argument with Diageo over the years and Ann Phelan TD made her remarks regarding her country, it would be remiss of me not to mention that Diageo left Kilmarnock and took 700 jobs away from the home of Johnnie Walker. We have had the argument and different reasons for that were explained in the presentation. It is important to put on the record how saddened we were by that. However, clearly the £1 billion investment Diageo has announced for Scotland has to be welcomed. I believe Ms Richardson also mentioned a £5 million community programme. I again

plead to the company that some part of that new investment in future product growth and delivery might find its way back to the home of Johnnie Walker.

Ms Jane Richardson:

I was asked about the company name. I have been with the company for 18 years and can remember debate about the name, Diageo, when the two companies, Guinness plc and Grand Metropolitan plc, merged. At that time it was a food and drink conglomerate because Burger King and Pillsbury were part of the group, about which we on the Scotch whisky side were never quite sure. We now find ourselves as a premium drinks company and no longer have the food businesses.

At that time the name, Diageo, was created out of the codename for the merger before the name was launched - at the time it was MGM Brands or something like that, which was just the holding name while the name was being decided. As employees we all waited with bated breath to see what the new name would be. For those of you who know it, forgive me. The basis of it was that we make premium drinks and I know the arguments about the sad fact that there are people who misuse alcohol. However, the vast majority of people in cultures around the world celebrate at all sorts of weddings, parties and will happily consume premium brands of our alcohol, such as Johnnie Walker, Guinness, Tanqueray etc.

The idea was that every day around the world somebody somewhere is celebrating with one of our brands. Hence the "dia" for day and "geo" for around the world. There was much comment from people as to whether it was academically correct to use the Latin and Greek in that way. You might remember that at that time some other companies came up with names such as Centrica etc. The name was created at that time and Diageo is known for its stable of extremely well known premium brands around the world. I am very proud that Guinness is one of these brands and sits alongside Johnnie Walker, J&B, Tanqueray and the other wonderful brands we have.

In Ireland people know the company as Guinness and perhaps Diageo takes a bit of a back step with the face of the company tending to be much more about Guinness. As Senator Coghlan pointed out we have Baileys Irish Cream and the wonderful Bushmills. I have been to the Bushmills distillery and I love Bushmills just as much as I love Johnnie Walker. I hope that helps to explain the name of the company.

The question on blends was interesting. Obviously malt whisky is very well known and great promotion was done from the 1990s onwards, echoing the wine industry to get people to understand flavour and territory, and to understand the differences between a malt from Isla, which will be heavily peated and smoked, a Speyside malt, which will be rather more gentle, a Highland malt, such as Dalwhinnie, and a coastal malt, such as Talisker. The whole story of the malt seems to have been extremely successful. However, we have not explained particularly well, particularly in our home market, that malt production is very small compared with blends. Our brands, Johnnie Walker, J&B, Buchanan's and Black & White, to name just a few, have made the whisky industry the successful industry it is today.

It takes great art and skill on the part of the blender to blend several - in the case of Johnnie Walker up to 40 - different whiskies and have a consistency of flavour and taste with a keynote signature taste through it. In the case of Johnnie Walker it is quite smokey whereas J&B is a Speyside one. I do not think we have told that story very well in this market. To put it into context, more than 95% of the Scotch whisky we sell is blended. I love blended whisky and there are moments when I would have blended Scotch with a mixer and there are moments when I would be more contemplative and have a malt. We use malts - they are the jewels in our crown - to add flavour.

We do not make Macallan, which is a very good brand made by Edrington. The malts are looking at extensions - different ways of expressing. We do not need to have an age statement on whisky. A whisky that is older is not necessarily better - there is an optimal age at which a whisky matures. In the case of Glenkinchie it could be a ten-year old or an 18-year old. People can be assured that whiskies coming from companies such as ours, Edrington and Pernod will be the optimal age. Our whisky is liquid gold and we want treated as the best quality because of the demand. I hope that explains the blended story and I think we need to do better at explaining that.

Willie Coffey MSP asked about job creation in Scotland. I know the situation in Kilmarnock was extremely difficult - it was a difficult decision to make. Based on how we need to structure our business for the future, we are very keen to look at the

job creation possibilities and not just within our own company. We need to ensure we have the right pipeline of talented and skilled people coming into our industry. We also need to consider the people who supply us, apprentice schemes and whether people stay with us or not. We are talking to Government bodies such as Skills Development Scotland. Extending beyond our production and sales people we are looking into where our products are consumed.

We are particularly interested in the hospitality trade and how we can help with the skill set in Scotland, particularly as 2014 will be an extremely important year for us here, with the Ryder Cup and the Commonwealth Games in Glasgow. Ailish mentioned with The Gathering 2013 in Ireland and it is really important that we have a great welcome. With our role in tourism we want to ensure the people of Scotland give our visitors and the people here the best experience. We believe we have a role to play in skills development beyond our immediate industry. Government can help with that and we are already in dialogue. However, if anybody has any other suggestions I would be delighted to talk to them about it. I am leading this project and working closely with Peter Lederer, the chairman of the Gleneagles Hotel. He is extremely well known across the hospitality sector and has considerable experience.

I have been in this particular job for nearly a year but I had not previously met Willie Coffey MSP. In that year I have worked with my team and am overseeing the communication over the final closure of the Kilmarnock distillery after a three-year programme since the original announcement. They are amazing people at Kilmarnock. I have been there and met them over the years since I joined the organisation. It is very sad that today in our global competitive manufacturing environment we have to make this decision. With regard to the community campaign, if there are projects we could implement in Kilmarnock that would benefit the community, we will look at them.

The Co-Chairman (Laurence Robertson MP):

Four more people want to speak, with only five minutes left. First I will take a point of order from Joyce Watson AM.

Joyce Watson AM:

Thank you for taking my point of order. The language we use in this room is extremely important. A previous speaker - I will not name them because they know who they are - referred to the two women who have presented as "girls". That is not acceptable to me and I am offended by it. This organisation is about building opportunity and equality. As part of doing that we have to be very careful about the language we use and to which we subscribe.

The Co-Chairman (Laurence Robertson MP):

Thank you. I do not think I can say much more than the conference has heard the points you have raised, Joyce. I call Mattie McGrath TD followed by Senator Terry Brennan.

Mattie McGrath TD:

I compliment both ladies on their presentation. The use of language is very important. While I respect the investment in both countries - I speak for Ireland - I am very concerned by the marketing, the high-powered language and the whole issue with binge drinking and over-drinking. I am especially concerned about the availability of drink in off-licences and supermarkets. We are suffering and will continue to suffer major detrimental effects on our health. It will be a problem. It is not all gold-plated and all success - it will come at a huge cost.

I support Ann Phelan TD regarding the jobs in Kilkenny and the south east of Ireland. We are very disappointed. I have been to St. James's Gate and I look forward to more successes there, but we must also think of communities. Throwing in the community awards scheme - or whatever Diageo has - is great, but it is only tokenism given the overall value of the company.

Senator Terry Brennan:

I congratulate both ladies on their presentation. Having lived all my life in Dundalk, unfortunately, like Ann Phelan TD, I got bad news. Kilkenny and Dundalk have been synonymous with the brewing industry for centuries. The community are very disappointed. I welcome what Ms Richardson said about Scotland. The future is bright for Scotland, for Scotch and for jobs in Scotland. That is great and I

congratulate Scotland. Ms Richardson said Diageo had 4,000 people working in Scotland. How many work in Ireland and how many are due to retire? Some of the staff in Dundalk, who are about to retire, are not happy with the terms and conditions being offered. Diageo states that they are loyal and conscientious and some of the have been there for nearly 40 years. The company has made substantial profits, which is the purpose of being in business - companies do not go in to business to make a loss. Diageo needs to work to satisfy those few loyal people who have worked for Harp, Guinness and Diageo over the years. I am not sure how many are involved but they need to be looked after. Dundalk and County Louth are disappointed with Diageo. The future is bright for Scotland, but I am not so sure that it is so bright for Ireland. Ms Forde has not convinced me that it is as bright for Ireland as it is for Scotland and I need to be convinced.

The Co-Chairman (Laurence Robertson MP):

I call Senator Paschal Mooney followed by Mary Scanlon MSP. Mary will have to be the last contributor.

Senator Paschal Mooney:

As mentioned by many of the contributors, the statistics are so overwhelming that it would be churlish to be in any way critical because it is such a good-news story. Mattie McGrath TD referred to it as being gold-plated. With the number of jobs and tourism, it is as if this was a company involved in philanthropy rather than in trying to make money. One would have to be churlish not to acknowledge what it is doing.

However, I wish to touch on something Mattie McGrath TD mentioned about marketing. From an Irish perspective the Guinness advertising people win awards all the time. Its television advertising is very inventive, imaginative and certainly hits the button. I want to ask about Arthur's Day. This is a media creation that has now nearly become like a feast day in Ireland. I am not sure whether it also applies in Scotland or England. Arthur's Day has been created as a day in the year built up by weeks of advertising showing scenes from around the world of people raising their glass to Arthur. Arthur has become somewhat distorted with the various countries in which these people are shown. Arthur has been transformed to a variety of different names, but ultimately it is about Arthur, so much so that even our national public

broadcasting network devoted an entire programme to a music event in Dublin for Arthur's Day. Some people have found that offensive and believe this is essentially about a drug that is being abused by some. While Diageo is not responsible for the abuse, it is a drug. Where are Diageo's social responsibilities here? It runs a little tagline at the end of its advertisements saying, "Drink responsibly". However, as a company does it not have a social responsibility to make people more aware about the dangers of excessive drinking?

Senator Paul Coghlan spoke earlier about blended whiskies. The Scotch drinks industry dominated the world following the bootlegging in the 1920s in America where up to then Irish whiskey had been the dominant whisky. I understand that Diageo's competitors are roaring ahead and that it is a good time for Irish blended whiskey. People in the age cohort from 20 to 40, particularly in the American markets, are now more inclined to drink blended whiskies, with Irish and particularly Jameson becoming increasingly popular. What plans, if any, does Diageo have to develop more blended whiskies in Ireland? There has been an investment announcement for Tullamore and the Cooley distillery has been taken over by an American company, which will provide more jobs. Diageo has just one whiskey, which is Bushmills. There is unquestionable momentum in the rise in popularity of Irish blended whiskey, which will not threaten the Scotch market, but it is beginning to compete and generating jobs in Ireland. Does Diageo have any plans to get more engaged? On the basis of what I have seen today the company seems to have a total emphasis on Scotland. Will it protect its Scottish market and not in any way engage in the development of any new products on the blended Irish whiskey end?

Mary Scanlon MSP:

I, too, thank the speakers for an excellent presentation. I am very pleased to be the joint convener of the cross-party group in the Scottish parliament on Scotch whisky. Regardless of what happens in two years' time, Scotch whisky can only be made in Scotland. Irrespective of the economics of it all, we appreciate there is only one place in the world where it can be produced.

Given the minimum price of alcohol, a blend will become more expensive and the price could come on a par with some of the cheaper malts. Is that something Diageo

would foresee? Is it considering increasing malt production on that basis because it was certainly part of the evidence presented to us when we were considering the Bill on minimum pricing?

The Co-Chairman (Laurence Robertson MP):

I thank all the Members for their contributions.

Ms Ailish Forde:

I hope I can remember all those questions - please forgive me if I miss any. There was a comment suggesting that the future might not be quite as bright for Ireland as it might be perceived as being for Scotland. We see the future as being very bright for Ireland and we would not be investing, as we are, if that were not the case. Diageo employs 1,500 people in Ireland. We are very happy with the growth we see in our export markets, particularly the emerging markets. I am not just talking about beer and I take the opportunity to talk about Bushmills. Bushmills really is one of the leading stars in our portfolio and has particularly good growth in markets such as eastern Europe. We regard it as very important in the Diageo family of brands. The investment in the brewery in Dublin will allow us to consolidate our position in brewing terms as being Diageo's innovation hub for beer. We will continue to innovate, develop new products and launch them from Ireland onto the international stage. I want to be quite categorical: we absolutely see a very bright future for Ireland.

I again refer to the decisions we had to take on Dundalk and Kilkenny. They were genuinely tough business decisions. We are working with employees in both sites to try to make that as easy as we can do in very difficult circumstances. We will continue to work with the people in both sites and the communities on those areas because I recognise that losing such employment, particularly now, is not easy for anyone.

Regarding jobs generally, as our export markets are growing the supply from Ireland will increase, which in turn will lead to additional jobs throughout the category in Ireland. We spoke about Bushmills, but more generally we see Irish whiskey as an important category and one we will be looking to develop. Bushmills is important for Diageo Ireland and to be fair to our colleagues in Scotland I do not believe there is

any competition going on there. We see the Irish whiskey category as one that will complement the whisky business we have in Scotland and one that we really want to develop. Jane might like to add to that, as she is more of a whisky expert than I am.

Ms Jane Richardson:

We are interested in the whisky category as a whole. We also own, for example, Crown Royal Canadian whisky and have quite an interest in Kentucky whiskies. I mentioned earlier the nature of blend and taste, which is bringing new people into that category, whether they come in via Bushmills, Scotch or Canadian whisky. People like the taste of whisky and are adopting whisky, but premium is expensive. It is slightly different from here in that people in emerging markets like to have a brand to show that they are successful and have moved up in the world. It is a status symbol and people are proud to display that badge and seen to be drinking whisky. It is very far from the world we are discussing here where people who misuse alcohol would not pay the sorts of prices these brands command. We are talking about premium alcohol in the Scotch category.

Ms Ailish Forde:

There were some questions on social responsibility and on Arthur's Day in particular. We are very committed to social responsibility. In Ireland we fund the DrinkAware campaign, which has been instrumental in educating people about the dangers of misusing alcohol. It is about trying to make people aware of healthier habits and healthier ways to interact with the product where people may be misusing. We recognise that there is a big problem, which tends to be in what I would call high-risk groups. For example, we know that teenagers are a high-risk group as is the cohort of people aged between 18 and 24, particularly young men. Through DrinkAware we are running programmes targeting those people to ensure they are aware of what drinking irresponsibly might do to them.

Diageo has a very strict internal code of practice on marketing, sales and promotion, to which we are absolutely committed. In any of the markets in which we operate where there are wider industry codes of practice, we also subscribe to those. Ireland has one of the most rigorous co-regulatory regimes, which is about selling, promoting and marketing alcohol in a responsible manner. Every piece of advertising copy must

be submitted to a body called Central Copy Clearance Ireland, which is unique in the world in what it does. Any piece of advertising copy that is to be broadcast must be go through that rigour before it can be allowed to be broadcast. We take that very seriously because it is not in our interest to do anything that is irresponsible with our products. We invest a considerable amount of money in these premium brands and it really does not make sense for us to market them in an irresponsible manner.

The genesis of Arthur's Day came around the 250th anniversary of the Guinness brewery in Dublin, established by Arthur Guinness. The idea of Arthur's Day was, as Senator Paschal Mooney said, that people would raise a toast to Arthur, but in doing that they would sign up to what we would call "doing business by doing good". That is the Arthur Guinness fund I mentioned. For every consumer who signed his or her name to that the company invested money in social entrepreneurs to try to put investment back into the community. The two go hand in hand in that our consumers feel that by supporting Arthur's Day they are also supporting good in communities.

The other point about Arthur's Day is that it is very much about supporting Irish music and the Irish music industry. This year we changed the format of Arthur's Day and brought it back into the pubs. That was a realisation of supporting not only the music industry, but supporting our customers so that they could offer their customers a high-profile music act in their establishment. We have a lot of responsible-drinking activity around Arthur's Day. We have very high-profile media campaigns advising consumers to prepare well for the day to make sure they eat and that they drink water. We have water teams dispersed throughout the cities where Arthur's Day is happening. We really take that seriously. That is what Arthur's day is for. It is very much tied up with our Arthur Guinness fund and supporting those social entrepreneurs.

Ms Jane Richardson:

I thank Mary Scanlon MSP for her question on malt whisky and the issue of minimum pricing. I am not the expert on minimum pricing in my team. I know the company and our industry are opposed to it and that is well known by Mary and her group. I presume she is referring to the price in the whole market in Scotland. Clearly there are blends with unique whiskies in them which retail overseas in some markets for

hundreds of pounds - sometimes thousands of pounds - because of their unique nature. Here we would not specifically need to increase malt whisky production because many of our malt whiskies go into blends anyway. Here it would be understanding the relative nature of the content of the bottle and how it sits on the shelf. I am not an expert on this and we would need to pick that up with one of the team who is expert on pricing. However, I thank her for the question.

The Co-Chairman (Joe McHugh TD):

I thank Ailish and Jane. The idea of having both of you presenting was good because you gave an insight into the different regions in which they work. There are real concerns in Ireland, specifically in Kilkenny and Dundalk, as were mentioned, despite the €153 million investment. I was interested to hear that 13% of barley produced in Ireland is used to produce the malt in Diageo's brewing production and that 5% of Ireland's milk production, representing 40,000 cows, is used in the production of Baileys. There are also indirect ancillary benefits, which we appreciate.

I wish to acknowledge Steve Aiken from the British Irish Chamber of Commerce, who facilitated getting the representatives of Diageo to come here today. I also acknowledge Ailish's work in setting up the agrifood business committee of the British Irish Chamber of Commerce, which is important as we look to the future. We really appreciate having Jane and Ailish here and I again thank them for their presentation.

Consideration of Progress by Committees C and D

The Co-Chairman (Mr Joe McHugh TD):

The next item on the agenda this morning is a consideration of progress by Committees C and D. I call on Ann Phelan to present the progress report from Committee C in the unavoidable absence of Jack Wall, who sends his apologies.

Ms Ann Phelan TD:

Thank you, Co-Chair. I am not giving a report so I will give the update from my seat here. After a busy start to the year, Committee C has not been able to meet since the Dublin plenary, so, as I said, we are not presenting a report this time round.

In Dublin we presented a report on small and medium enterprises. The issue of viable businesses struggling to get the funding that they needed to trade or expand was one which concerned members across all the BIPA jurisdictions. The Committee's report made recommendations about improving access to non-bank finance and improving information about lending to SMEs.

We have had responses to that report from both the Welsh and Scottish Governments which broadly welcomed it, for which we are grateful. The Welsh Government's response volunteered some useful and encouraging information about initiatives through Finance Wales, including improving access to equity and angel finance, specific support to science businesses and the provision of coaching courses to help businesses prepare their applications for funding. We await responses from the other administrations.

At our Committee meeting in Dublin we agreed to launch two new inquiries, first into credit unions and secondly into marine renewable energy. Here in Glasgow we find ourselves in proximity to centres of expertise on both those subjects. Membership of credit unions in this city has risen from 3% in 2001 to 22% in 2012. Glasgow is now home to approximately 17% of all UK credit union members and assets. At our meeting on Monday morning we heard from Glasgow City Council about how this was achieved, and it is interesting to us in Ireland that your local authorities need to

act in partnership with this. Glasgow's experience may hold lessons for other parts of the UK, where credit union participation remains at only 2.4% on average.

Credit unions have had a very different development in Ireland and certainly in Northern Ireland. On the island as a whole, the penetration rate is one of the highest in the whole world; the World Council of Credit Unions puts it at 72%, and there are around three times as many credit union members in Ireland as in Great Britain. Attention in Ireland has turned to recently introduced legislation that seeks to reform the governance, regulation and structure of the sector. I believe that this will soon be going through the Houses of the Oireachtas and will be called the Credit Unions Bill. We look forward to exploring these issues in our inquiry and drawing conclusions that will have relevance to all our jurisdictions by the time of the next plenary session.

Our investigations into marine renewable energy may take place over a much longer timeframe, as the technology is still developing. Possibly being flippant, I thought that the report should perhaps be entitled, "Marine Renewable Energy: Myth or Legend?", because it was extremely hard to get information. It seems that the industry is very much at the development stage. It can be argued that we should be much further advanced as both Ireland and Great Britain have very large coastlines. However, we will explore much of this in our report, and we hope to have that by the next meeting.

A recent Carbon Trust study on wave energy has confirmed the attractiveness of those coasts exposed to the Atlantic as sites for offshore devices. The Scottish Government approved in March 2011 a proposal for what could be the world's largest tidal energy development, between the islands of Jura and Islay – I think I have pronounced them correctly. Members of the committee had an opportunity this morning to hear from Mr Neil Kermode, managing director of the European Marine Energy Centre on Orkney, which offers an open-sea site for wave and tidal devices that are connected to the grid.

We have had a couple of changes of membership of the committee. I would like to place on record our thanks to our colleagues Bethan Jenkin AM, Lord Glentoran and Esther McVey, and to welcome our new members Lindsay Whittle, Lord Empey and Andrew Rosindell to the Committee.

The Co-Chairman (Mr Joe McHugh TD):

Before calling on Daniel Murphy, who is going to give us a wee bit of insight and perspective on tidal and what is happening at the local level, I want to acknowledge the letter from Mr John Perry, who responded to the committee's report on small and medium-sized enterprises. It is in your packs and I am not going to read it out, but it is important to note that the comments in that report will feed into the advisory group, if an advisory group is set up, and there will be priority action.

Ms Ann Phelan TD:

Perhaps some of the other members of Committee C might like to make a contribution as well.

The Co-Chairman (Mr Joe McHugh TD):

No problem. I will call on Daniel Murphy first, and if there is anyone else after that they are more than welcome.

Connetable Daniel Joseph Murphy:

Thank you, Ms Phelan, for your input. We in the Channel Islands are at the edge of moving forward into this tidal array business. We are taking knowledge from [*Audio error 10:37:00*] obviously includes the Jura people as well, but it might be worthwhile looking at the experience in France where they have already installed two turbines at Paimpol, and I understand that one of them is going into operation soon. It might also be worthwhile to look closely at the Alderney experience, where they have put a turbine down in the Alderney Race, which is an extremely rough and dangerous stretch of water. I do not think that that has been terribly successful. As I say, we here are all on a learning curve. We, together with Guernsey, have a co-operation agreement in order to further our ambitions in this area, and we hope that we could perhaps work with your committee in furthering our knowledge.

The Co-Chairman (Mr Joe McHugh TD):

Thanks for that; it was helpful. If we are looking at continuity within the Assembly, the next plenary will be specifically focused on energy. I know that I have spoken to

you privately, but any help in relation to your contacts or ideas would be very welcome for the next plenary. That would bring a bit of continuity as well.

Ms Mary Scanlon MSP:

What is happening in Orkney is probably at the cutting edge. As Ann said, there is a longer timeframe, but we were told this morning that tidal energy off Orkney has the potential to produce 20% of the UK's electricity. There are 14 companies and 11 developers. To be honest, they are all the research stage but are probably at stage two rather than stage one. The most telling comments from Neil Kermode were that we are at the start of this journey; it is still very early days; this is not easy technology, and neither is it cheap; and they do not know how much they will produce when they will be in production or how long the technology will work for. I was advised to go over to Islay and, apart from some very nice distilleries there, I also went to look at their tidal wind farm, which I thought was in production but, again, it has been put back for another two and half years. I echo the points that Ann Phelan made, that this is a long timeframe with a considerable amount of uncertainty, but I am delighted that you are keeping it on the agenda.

The Co-Chairman (Mr Joe McHugh TD):

Thank you, Mary, I appreciate that. Ann, do you want a final word?

Ms Ann Phelan TD:

Thank you, Co-Chair. I reiterate what Mary said. To try to deal with these renewables we will always need a suite of energies – wind, tidal, ocean or whatever. We need confidence, as Mary mentioned, around these new technologies; if we do not believe in them, they are never going to happen. This has great potential but we need to talk these types of energy up rather than down. It is important that we keep a level of confidence around this, particularly if we reach a stage where we need private investors to get involved.

The Co-Chairman (Mr Joe McHugh TD):

Cáit, can I ask you to be very specific in your question? We are running really tight and we have a Minister waiting as well, so we have a tight slot here.

Senator Cáit Keane:

I just want to put it on the map that the European energy conference is coming to Dublin during the presidency, so everybody keep an eye out for that. Wave energy will be high on the agenda there. I also wish the best of luck to Wavebob from the west of Ireland, who are in Scotland promoting wave energy.

The Co-Chairman (Mr Joe McHugh TD):

Thank you. With the agreement of the Assembly – I know that Lord Dubs is always very agreeable, and Deputy Frank Feighan is equally so – would you mind us putting your agenda item forward? We have the Minister here and I am aware that he has a very tight schedule. Is it agreeable that we facilitate the Minister, who has given up his valuable time at the stage?

Question put and agreed to.

The Scottish Economy — Employers' Perspective

The Co-Chairman (Mr Joe McHugh TD):

I would like to introduce Fergus Ewing MSP, who is Minister for Energy, Enterprise and Tourism in the Scottish Government. Mr Ewing is able to be with us for 30 minutes so we are going to use this time slot in a very valuable and constructive way. Mr Ewing, you are very welcome. Maybe you came in during the conversation about energy. I know that you have a responsibility for energy and enterprise, but you have tourism as well, which we covered in depth yesterday. Energy is an issue that we as an Assembly want to progress. We have an all-island single energy market, north and south, and I suppose that we as an Assembly are looking to develop a vision around energy and want to look towards a time, possibly and potentially, when we have a lot more collaboration on an east/west basis. I hope this will form part of your contribution and, if it does not, no doubt the questions from the floor that follow will work towards that. Minister, you have the floor.

Mr Fergus Ewing MSP:

Thank you for that kind introduction. I am delighted to be here to address you today; it is a real privilege to attend and to close the plenary session of the British-Irish Parliamentary Assembly. I hear that you have had a very busy and fruitful couple of days, and I very much welcome that. It is especially important that the Assembly brings together elected representatives from around these islands. That is hugely important, and I think that we can gain a lot from that involvement. I gather that this is the 45th plenary session, although it is the first time that the event has been held in the city of Glasgow. I know that Glasgow has made you very welcome with a reception and dinner yesterday evening, and I very much hope that this will be one of many more visits to Scotland in the years ahead, irrespective of the outcome of certain events that are scheduled to take place in the couple of years ahead.

I want to say a few words about our approach in Scotland to economic development and the economic problems that we all face as elected representatives. I am conscious that I am doing that in the presence of colleagues from all parties – I recognise some well kent faces here. First, my approach and, I think, that of colleagues in the Scottish

Parliament generally is to work together across parties. That is very important. Very often the differences between us are magnified by the press, or sometimes by ourselves, and the similarities are less evident.

I was especially pleased that in the Scottish Parliament, through working together with all the parties represented there – I see that Mary Scanlon is here from the Conservative side – something unusual happened: we all voted the same way for a resolution on taking forward the huge potential of renewable energy. All 129 MSPs, or at least all those who were present, voted for a policy that, broadly speaking, recognises that the opportunities for renewable energy in these islands are meant and that the process of EMR can be used effectively, albeit with difficulties, to develop that renewable energy. That is a tribute to the ability of parties to work together: we can reach the text of a motion and an amendment that attract that support. I can tell you, though, that was not an easy thing to achieve; it took a lot of discussion behind the scenes.

It is especially important – accepting the invitation that you have made, Convenor – that we work together across these islands in relation to renewable energy. We in the Scottish Government have taken a number of actions, and I shall run through them briefly. We have a £70 million national renewables and infrastructure fund, which is basically for upgrading ports and harbours. We have a £103 million renewable energy investment fund, essentially for marine and community energy schemes. We have established skills academies, such as the one in Nigg, to train and equip individuals with the skills needed by the energy industry; that is just north of my patch, in Inverness. We host an annual low-carbon investment conference that brings together leading figures from throughout the world; last year, for example, we had a very impressive presentation from former Vice-President Al Gore. We have a £30 million programme of energy efficiency measures to tackle fuel poverty, an ambitious emissions reduction target and a focus on increasing resource efficiency, and we are simplifying the advice landscape into one organisation, not a plethora. I mention all these things that we are doing in Scotland, but I am conscious from my discussions with people such as Pat Rabbitte, Ed Davey and Charles Hendry that we have actually got far more in common than we disagree about on all these policy aspects. It is therefore good that we're working together to achieve goals on some of these matters.

The First Minister had a bilateral with the Taoiseach, Enda Kenny, after the British-Irish Council on Friday 22 June. The purpose of that meeting was to further develop relations to strengthen the bilateral engagement between the Scottish and Irish Governments. Specifically as a measure of that co-operation, and recognising the workload that Ireland will be taking on with the EU presidency in the first half of 2013, there was an agreement to second two senior civil servants to assist and develop the good work that Ireland will be doing in that hugely important role. It was notable that one of the two officials who have been seconded – I think that one already has been, while the other is still in the course of being seconded – is in the policy area of marine energy. I am delighted that that has happened.

Of course the trade links between these countries are immense, and especially in renewable energy. In the press some people say that the renewable energy projects may falter and not happen, but I disagree; far too much progress has been made in creating jobs and businesses throughout these islands for it to stop now. It is simply not possible. Nearly 20% of the civil engineering work in Scotland is based on either delivering onshore wind farms or delivering grid connections. How on earth could the civil engineering sector survive if it were not for that nearly 20% of income? The precise figure is subject to a trade survey at present. The point that I am making is that there are lots of chips on the table and lots of companies, and lots of people have jobs already from the good work that is involved in all these islands in strengthening the grid and taking forward our renewable projects. This goes wider than the renewable energy sector itself; it goes into the construction sector. That, if I may say so, is not something that one would necessarily read about every day in the *Daily Telegraph*.

There are 11,000 jobs in Scotland in the renewable sector, which is more than in the whisky sector – perhaps a surprise to some of you. I would like to see more and more whisky produced; it seems to be popular the world over and is bucking the trends, with huge growth figures during a recession. It makes you wonder what on earth we would be doing if the world was in the middle of a boom – how on earth could we distil enough of the stuff to satisfy those all over the world? In the realm of renewable energy, there are particular opportunities to engage.

I apologise because I am not sure precisely what discussions you have already had on this matter, but one concrete area where there has been a special engagement across all these islands is in relation to the Isles project. I was delighted to present the Isles report with Pat Rabbitte and Charles Hendry to the Commissioner at the Council of Ministers last November. The report, agreed by the UK, Scotland, the Republic and Northern Ireland, has really taken forward that exciting plan. The first part of the report has demonstrated that it is feasible; there are no insurmountable engineering obstacles to interconnection of these islands. Secondly, it could create 2,000 full-time equivalent jobs – or, the brief tells me, 2,091. I sometimes wonder how people can provide estimates with such precision. In any event, the number of jobs that can be created by this is substantial.

The cost, at £5.8 billion, is also substantial, and the timeline at the earliest is 2020. Some people, though, such as Ignacio Galán of ScottishPower Iberdrola, have put forward the view that the most obvious way in which the EU can emerge from the recession is by further investment in the grid. The grid is the most investable commodity of all because it then enables utilities to invest and supply electricity, and everyone needs electricity. Therefore the purpose and the impetus of investment in the grid across Europe are demonstrably clear and of demonstrable value. We know that in Germany the need to upgrade the grid in order to achieve its ambitious targets, especially in relation to offshore wind, is considerable. I suggest that this is an important area of co-operation.

I have just come from a meeting about renewable energy where there was a presentation from ScottishPower, which basically is the transmission owner and operator for the southern part of Scotland down to the border. It plans to invest £3 billion over the next eight years. That is already creating a huge number of jobs. Similarly, Scottish and Southern Energy and its subsidiary SHETL, in the northern part of Scotland, are investing a similar amount of money, which will create a huge number of jobs and opportunities there. I mention that because we in Scotland see the renewable energy agenda as encompassing investment in the grid and the provision of a key component of keeping our construction sector going at a time when there are very great challenges, as I am sure we all know from our constituency work. Sadly, a number of companies in the construction sector have faced very severe difficulties,

but this is truly a bright area for the construction sector. I very much look forward to the Irish presidency and, I hope, the announcement of taking forward the Isles project to the next stage.

I have quite a lot of notes here for a detailed speech, none of which I have really spoken from with any particular assiduity, as is my wont. I do not really want to read a prepared text and I hope that you will forgive me that – actually, if you had seen the text, you probably would. We in Scotland are doing a lot of things to try to deal with the recession, such as low small business rates and helping companies that have the capacity to grow to achieve their potential, often with practical support rather than cheques because cheques are more difficult at this time. We are doing a lot to support and boost business in practical ways, using a kind of “Team Scotland” approach, getting people together and using mentoring, the chambers, the business bodies and the high-quality civil service with the advice that it can give. We are also using the limited tax powers that we have to the best effect. I will not go into all the details of that, although I could and I am happy to answer questions on it. We are also doing what we can to support apprenticeships, skills, universities and colleges – you would expect all of that. However, I also know that in all the other parts of these islands you are grappling with the same problems at this difficult time in very different ways, so rather than me departing even further from the text that I have not bothered with this morning, I shall say simply that I am happy to be here to bring these proceedings to a close. If there are any questions from colleagues here, I will of course be happy to do my best to answer them.

The Co-Chairman (Mr Joe McHugh TD):

Thank you, Minister. We have two potential contributors. We will start with Ann Phelan, followed by Paul Flynn.

Ms Ann Phelan TD:

If we go on to collaborate on all this renewable energy, and we have to begin by 2020 – I know that the EU has launched a strategy, and its new energy roadmap says by 2050 – it strikes me that a huge amount of planning will have to go into all this. I just wonder how this will be seen by the man in the street. I am not sure how difficult it is in Scotland but for us the mention of a cable, a mast or any kind of overhead wires

drives the public into a frenzy, and that complicates matters. Our planning process is probably going to have to be radically overhauled if we are going to deliver on all this interconnectable and renewable energy.

Mr Paul Flynn MP:

I am grateful for this presentation but I think we are being far too apologetic and tentative about renewables. Renewables are the great hope for power; they are clean and eternal, and they are not going to pollute or steal the wealth of the planet from our children and grandchildren. It is not all theory; the La Rance tidal barrage was built in 1966, producing 250 megawatts of electricity, and it had paid for all its costs by 1988, and other successful marine and tidal enterprises are working. The technology, compared to nuclear power, is very simple and understood. Contrast that with the awful crisis of nuclear power, which has never succeeded in delivering within budget or on time. There are only two of the new generation of nuclear power stations, one in Finland and one at Flamanville in Normandy; one of them is three years late and €4 billion over budget, and the other is five years late and €6 billion over budget. We are going to have, as we have in the British Parliament, a U-turn a week – we are having one on badgers today, and next week we will have one on the promise that they would be no subsidies to nuclear power. It cannot be built without subsidies, and not small subsidies, either – again, a blank cheque will be written by the coalition Government to fund nuclear power for the foreseeable future, completely uncoded. Almost certainly we will repeat what has happened in Finland and France. We should go forward to renewables with a great deal more confidence. Whatever little quibbles are about, the future is renewables.

Senator Cáit Keane:

What the previous speaker has said is my thoughts exactly. In Ireland now the Minister, Pat Rabbitte, is very positive and proactive in the renewable energy sphere. Hopefully, we are looking at 40%. There is great competition between Ireland and Scotland over wind energy. Someone has spoken about the planning process; there was one company in particular that was having huge difficulties with the wave energy planning process in Ireland, and it eventually located in Scotland instead.

We are all in competition but we are all working together. We have the north-south and east-west interconnectors now, and this is an area where we will be exporting and importing to one another. This is an area where we can work together in co-operation to ensure that we in Ireland are the best that we can be. If you look at the orange colour on the map, we have the highest potential wind and tidal energy output in Europe. This is open for all of us, for Scotland and everybody else, so it is the way to go.

I noticed last week that Germany is getting rid of nuclear, which is good. Maybe you might comment on that.

Connetable Daniel Joseph Murphy:

I apologise if I bore Members who have listened to me before, but now that the Minister is here I have to take advantage of talking to him. We in the Channel Islands receive our energy from the French through an interconnector under the water. That energy is purely nuclear; it all comes from Flamanville. We have had problems over the past year – occasionally the connector fails. It comes through to us and then on to Guernsey, and of course if it breaks between us and France the Guernsey people blame us. That is Jersey and Guernsey for you. However, we are working hard in our own right as islands to create a tidal power situation where we can have our own source of energy. We are watching to some extent the work that is going on in Scotland over this, but the French themselves have actually sunk two tidal turbine units in Paimpol. I am not sure when they want to bring those on stream or what the cost will be but I assume, as has been said, that it will not be cheap at the moment. We are at the forefront of technology here, though, so eventually it has to become cheaper, and once it does so then we will get even more stuck in.

The Co-Chairman (Mr Joe McHugh TD):

Lord Dubs has agreed to defer his item on Committee D, as he is under pressure time-wise to get transportation out of here. Are you happy enough with that, Lord Dubs?

The Lord Dubs:

I will make up for it next time.

The Co-Chairman (Mr Joe McHugh TD):

Thank you.

Mr Fergus Ewing MSP:

I thank Members for their contributions. First, with regard to the planning process that has been mentioned, we all know that planning applications for upgrading transmission cables, with higher towers and 400-kilowatt transmission capacity, are very controversial matters. Recently I took a decision about the Beaully-Denny line, the main line connecting the Highlands to the central belt, basically going up the A9 in the middle of the country. That was very controversial. I took a decision not to underground a section of that cable around a part of Scotland in Stirlingshire that is of particular historic interest – the monument to Wallace, our great national hero, and so on – and this aroused very strong emotions. I took that decision and the political fallout did not seem to me to be enormous – in other words, I have no doubt that people felt very strongly, especially those in those houses most directly affected, right in the lee of the new turbines, who obviously have a particular interest, but some of the people who write in with postcard campaigns do not seem to have a depth of sustained interest. An element of sticking to one's guns and driving forward a policy that one believes in is therefore essential, and it is important not to be deflected by the perceived element of opposition. I believe that very strongly.

I was at an open-cast mine not so long ago where I heard that the most recently opened open-cast mine in Scotland had attracted a couple of thousand letters of opposition. Since it opened three or four years ago, however, there have been zero complaints. That is the perception that I have. However, it is essential that we properly and fully allow everyone to have their say in the planning process – that is a *sine qua non* of the system – and we want it to be the least protracted that it can be. These are difficult problems all over the islands, but “*Courage, mon ami*” should be watchword, otherwise we end up with stasis. That is my strongly held view on that point. I hope it is also the Scottish Government's view, and I think it is.

On the other points, in Scotland we propose no nuclear power stations, for some of the reasons that two of the speakers have indicated. However, we recognise that for the existing nuclear power stations the money has been spent and the decisions were

made – by, I think, Tony Benn, who as a Minister seemed to act somewhat differently from some of the things that he subsequently said. Perhaps that is an unfair reflection but facts speak louder than words, do they not?

We have Hunterston, which is due to close in 2016, and Torness, which is due to close in 2023. Each has a capacity of about 1 gigawatt. Hunterston will almost certainly seek a life extension for seven years. Life extensions must be sought no more than three years prior to the anticipated cessation date, and it is expected that if the safety case can be made then that life extension will be granted. The same goes with Torness. If you have an existing nuclear power station, you have spent the capital costs and the decommissioning costs will have to be paid for. The longer that they can be postponed and the more active life that one can get from a station that has already been built, then it is not a compromise of any principle about disagreements over new nuclear power stations to take a pragmatic view about existing ones.

In addition to that, there are serious questions that we will all be aware of about the security of supply. These have emerged from Ofgem's warnings to the UK Government that have been made public in the past fortnight. The big issue in energy is security of supply, and it is inevitable and correct that there should be more debate and focus on that. I very much hope that that is something we can take the lead on in our Parliament by squaring up to it in a fairly open fashion. We all take for granted that when we press that switch there, the lights come on. That is a big assumption that we have made for decades now and, at least in my opinion, it is about time that we looked more closely at the serious issues involved. As Paul has said, and as those at the National Grid tell me informally, to build a new nuclear power station takes about 12 years, so it seems improbable that any gap in the required generation capacity around the end of this decade can be filled by new nuclear power stations. I could be wrong about that because I am not an engineer, but that is what I hear and perhaps this is what you hear too. Even if it is out by a few years, that still leaves us with a problem.

I do not think that competition in renewable energy is a bad thing, to answer the first question; I think that competition is a good thing. One of the reasons why I want to see an independent Scotland is that contiguous tax regimes are good for competition,

and that will be good for businesses locating in all these islands, in my opinion, by sending a message to the world that we want to attract business from all over the world. That would be good for all of us, not just Scotland. That is my considered view.

In the realm of renewable energy, this morning I met companies that are working in Sheffield and Scotland. One company, Clyde Blowers Capital, has a subsidiary company, David Brown, which is based in Sheffield or Huddersfield, I think—it was certainly down south—so the trade links already exist across the borders and with Ireland as a whole. I know that a whole host of companies have invested from Ireland in Scotland and vice versa. Most recently, SSE has invested in utility companies in Ireland, and I hope that that is seen as a good thing. Competition is good. The more that we establish supply chains in these islands, the better, and the more that we are then able, particularly in offshore wind, wave and tidal, to give a lead to other parts of the world, as we did with oil and gas and with hydro. People from the UK and Ireland proficient in these fields have taken the expertise that they have acquired over the past five decades and successfully taken it to other parts of the world with businesses. Although I am a nationalist, I would say this is one for all and all for one. The more that we individually succeed in renewable energy, the more that we will succeed collectively in business.

I always hear that Ireland is the windiest place, but I have always thought that that was Shetland. I can say that from a period of time spent there. In Shetland, as you may know, they do not say “Yes”, they say “Yes, yes”. My theory is that the reason why they do that is that the first “Yes” gets lost in the wind.

The Co-Chairman (Mr Joe McHugh TD):

Thank you, Minister. I ask contributors to be concise in their questioning.

Mr Seán Conlan TD:

Minister, I found your comments in response to those questions interesting. The issue for Ireland too is security supply and self-reliance. We need to move away from coal, gas and oil. We do not have a preference for nuclear either; obviously, it has always been an issue there. Ann raised the use of overhead power lines and pylon structures.

That is a major bone of contention in the Irish planning process, given that it is very difficult to build a domestic dwelling in Ireland that breaks the skyline but you can build towers that are hundreds of metres high. We have had issues in relation to the north-south interconnector and problems in the planning process, which is a cross-jurisdictional planning application. It has run into problems in both north and south. Given the fact that I have a preference for renewables, if tidal and wave power and offshore energy is to be the long-term future in terms of renewables, given the fact that it may run into less conflict with the population and there may be less of a chance that people may take actions and lawsuits against the government or local authorities in relation to nuisance and visual impact, is it wise to drive ahead with the current grid structure, or in your view would we be best looking at the long-term potential of tidal power and placing interconnectors in areas where it could best be harnessed?

Mr Willie Coffey MSP:

Thank you for coming to the Assembly to address us, Minister. You presented a very positive picture there in your vision for Scotland. You initially focused your comments on the energy revolution for Scotland and said that there were 11,000 jobs in the sector, which is more than in the whisky sector. You then spoke about the impact of whisky, but of course you could have mentioned life sciences or North Sea oil. Your comments stand in stark contrast to comments this morning by Mr Iain McMillan from CBI Scotland, who presented what must be the gloomiest picture that I have ever heard of the prospects for Scotland post-independence if we choose that. He also said that businesses were very concerned and were re-evaluating their positions and so forth. Could you offer a complementary view from the Scottish Government about the relationship with businesses in Scotland and their investment intentions over the next few years and beyond?

Senator Paschal Mooney:

You are very welcome, Minister, and we appreciate your presentation. I have three brief questions. First, considering that Ireland has a very high energy dependency, as Seán Conlan said—90% of our energy needs are imported, so interconnectors and the availability and access are vital to the Irish economy and Irish society—have you had any requests specifically from the Irish Government, as a result of the bilaterals that have taken place so far, regarding shared information? We heard this morning from

Mr Kermode that it seems, and I think we agreed on this, that the research has advanced considerably regarding the development of wind in energy in Orkney, much more so than on the Irish coast. I am curious as to whether, in the context of the bilaterals, there has been any request from the Irish Government for shared information or shared expertise.

With regard to planning, one of the issues that have arisen over the past few years in Ireland is the question of planning applications that have been granted for wind turbines onshore. Is that an issue here in Scotland? A Bill has already been proposed that would extend the distance from a private residence for the erection of wind turbines. A company has already sought planning applications across several counties in the midlands of Ireland to erect a significant number of wind turbines which would, rather ironically, be sold on to the UK market, and are not for domestic use. I am curious as to whether that is an issue here.

Thirdly and finally, another issue that has arisen, particularly where I come from in the north-west of Ireland, is the concept of hydraulic fracturing and the extraction of shale gas. Is that an issue? It is in England. Have you had any applications for shale gas exploration in Scotland, and what is the view of the Scottish Government on this controversial extraction method?

Senator Terry Brennan:

Minister, I thank you for your deliberations here this morning, and some of the issues have already been covered. I emphasise the importance of interconnectors, whether north to south in Ireland or east to west. I go further: I think that the island should be interconnected with Europe. That is the way that we should be thinking. Obviously would be underground – there would be no such thing as pylons anywhere. That is important.

I do not think that we in Ireland have any chance of meeting our alternative energy targets for 2020. I figure that, whether it is 220-kilovolt or 440-kilovolt lines crossing our countryside and our scenic areas, the major countries of the world and the financial countries of the world honestly cannot afford to go underground with such lines. The difficulties of fault-locating and all that come into it as well. I recall that

half the city of San Francisco had no power supply for six weeks. Can you imagine half of Glasgow being without supply for six weeks? What would that cost? That is the question of overhead versus underground.

I am worried that we will not meet our targets. No matter whether it is overhead pylons, underground lines or waves in the ocean, which are continuous – there is a company making turbines within two miles of my home, which I think is the future – there will be objectors to it. When we extended electricity throughout Ireland, no one had electricity except the city of Dublin and Cork. We had to be covered by law to transgress people's properties. I think that there should be an obligation, if we are to meet our targets, to be covered by law in Scotland, England and Ireland, although I know that they can object. Do you feel that costs will come down, Minister? I think they should, and that would be of benefit to small and medium-sized industries.

The planning issues have already been mentioned. We will have to look at the planning situation. No matter what job, whether it is under the sea or over it, on the side of a mountain or wherever, it will be held up for a couple of years. Planning must have a say. Thank you, Minister, and sorry for taking so long.

Mr John Scott MSP:

I thank the Minister for his contribution. I have a slightly more controversial question. Given the importance of nuclear defence to NATO and Great Britain, does Mr Ewing wish to inform this Assembly about the future of Faslane and the nuclear shield, and the likely view of an SNP Government if Scotland becomes independent?

Mr Frank Feighan TD:

I welcome the Minister. I would highlight that in Ireland we have a poor record of getting plans through for infrastructure for transmitting electricity. We have an Irish solution to an Irish problem – we do not have any nuclear energy but we have an interconnector, which we gladly use to take all the nuclear energy from yourselves, although we want to return it.

In my own area, they have been trying to establish an interconnector connecting east and west. It has been going on for 10 years now. The DSB has spent millions upon

millions of euros on it, and I think that the approach has been very wrong. First, a lot of the landowners who wanted absolutely no pylons going through their land were very annoyed, but were told that if they went and got planning permission along the route, that was a way that they would be able to get compensation. So there were politicians dealing with the local authority to get planning information for houses along the proposed route, knowing that those houses would never be built. In some cases they were delighted when planning permission was refused. This is how the electricity supply company addressed the issue of compensation, which is totally wrong. In my area we have one or two law-abiding families who will none the less go to jail over pylons.

You are saying that undergrounding is out of the question, but different figures have been come up with, regarding wires or whatever, that are much more cost-effective. After 10 years, during which we have been of looking at one pylon being built here, another being built there and nothing being built in the middle, that is embarrassing and not a way to do business. I wonder if it is the same thing here.

Mr Chris Ruane MP:

Many people have mentioned the interconnector. One of the interconnectors comes ashore in my constituency in Prestatyn, under the hotel owned by an Irishman called Fionn mac Cumhaill. It stretches from Dublin to Prestatyn. There is a Celtic connection, an umbilical cord of energy across the Irish Sea, and I am very proud of that. It was a €700 million investment, and part of it comes out in my constituency in north Wales. I live in a coastal area, in Rhyl in Prestatyn. We have a beautiful horizon and sunsets.

We are going to have the biggest concentration of wind turbines in the world off the coast at North Hoyle, Rhyl Flats, Gwynt y Môr and another couple of thousand built beyond there. I believe that the disturbance that this makes and its visual impact are a price worth paying. As a politician, I faced this issue eight years ago and supported Npower when they installed these turbines. I know that there are sensitivities in rural and seaside areas, but I believe that this is the price we have to pay. My constituency was flooded in 1991 along with the neighbouring constituency; defences were

breached by five feet of seawater. Other coastal constituencies will face this, and anyone in this room who represents a coastal constituency has to be cognisant of that. In my area it is not a question of “not in my back yard”; it is in our front yards. It is on the coast of Rhyl. As I say, however, it is a price worth paying.

Mr Fergus Ewing MSP:

I shall take the home-grown questions first. To start with John, it is perhaps fairly widely known that my party has just taken the decision to change its policy regarding NATO membership – namely, that we believe that Scotland as an independent country should remain in NATO – but reaffirmed its stance on nuclear weaponry – namely, that we do not believe that an independent Scotland should purchase and arm itself with nuclear weaponry. John raises a perfectly reasonable point: what about people whose jobs depend on it? Plainly we require conventional defence, so these matters require to be resolved. I expect that some of those people who are presently working there would be looking for other opportunities. I say that because I do not want to be less than candid.

If I may make one observation, if there were 10 guys from the military in this room it would probably take about two days for them to get a job in Scotland, in the engineering sector in particular. They are the most highly valued group of people that I know on the jobs market. In fact, from many hundreds of hours of meetings in the oil and gas sector in Aberdeen, which is going through a second potential boom, they cannot get enough former military people, especially those with a engineering background. Therefore, if the worry is that all these people will be made unemployed, well, we can all be made unemployed – some of us have lost seats in the past, although perhaps not so many tears were shed over that – and we as Governments have to deal with that. In Scotland, the problem is the problem of success because there is a huge unmet appetite for engineers here. Perhaps I have answered the question in a slightly different way from how John intended, but I hope he will forgive me that.

I did not hear what Iain McMillan had to say, although it is fair to say that I have picked up his general message over the years. I think that the vast majority of business organisations in Scotland are neutral in relation to constitutional change. Personally, I

think that that is the right approach. I used to be in the FSB, I used to run and own a small business and I used to be in the Scottish Council. These bodies are scrupulously impartial and, frankly, that is the way that business bodies should be. They want to represent all their members, and as soon as they depart from that principle of neutrality they do not represent the members that disagree with them. They should be sticking to business issues, in my opinion, and from time to time it seems that the CBI strays into one side of the argument. I do not think that it is doing itself any favours in doing so.

To take head-on the issue that Willie Coffey raised, over the past three or four years we have seen £3,000 million of investment, broadly speaking, in renewable energy. In the past few months Diageo has announced its intention to invest £1,000 million in Scotland. A large number of companies, including Stagecoach, have said that there is nothing to fear from independence. I have met with innumerable oil and gas companies over the past 18 months, and none of them are going to leave – all of them are going to stay. Most of them operate in countries throughout the world such as Angola, Syria, Libya and Nigeria; do you think for one moment that they would not do business in an independent Scotland? The suggestion is risible.

On the economic side, the problem that we have is the problem of success. We need to meet the needs of a booming oil and gas sector, where the amount of investment for new plant developments in the North Sea and west of Shetland is going off the Richter scale. The problem is that we cannot get enough employees, not that we will see companies disappearing. That is my strongly held view, and I think that the facts are on my side.

I turn to the rest of the questions, which I think were all energy-related. Pascal asked about planning rules regarding proximity of wind turbine plant to people's homes. This is probably the most controversial area, and it is probably at the root of many people's antipathy. Some are opposed to wind turbines in principle, all though I think they are a minority, but some simply do not want to see them outside their house. We have to recognise that that is a perfectly reasonable view, and we all of us have to devise planning systems that can deal with that fairly and appropriately. We have guidelines that apply to proximity, noise issues, visual impact and cumulative impact,

and obviously we can share all this across the country to see if we can learn from each other, as I am sure that we can. However, we cannot have success in renewable energy unless we are willing to support developments in the appropriate places, and I, as the Minister who makes the decisions, have approved several and rejected one thus far. We have to drive forward with this while recognising that there will be strong views, and we will not be able to keep everyone happy – that is not a realistic objective for any of us, and if it were then we would be doomed to failure.

Senator Terry Brennan asked about targets. I think that we are en route to meeting our targets in Scotland, but there are many challenges, such as the investment challenge and the engineering challenge. Terry asked whether costs were coming down. Ten years ago the most powerful wind turbine was under one megawatt; now it is nearly 10. The technological advance of onshore wind, for example, has sped ahead over that period. Although I am not an engineer, I know that in offshore wind a great deal of progress has been made in meeting the serious engineering and technical challenges that they face. These are all difficult issues, whichever side of the water we are on, and we are working closely together on them.

We have serious issues regarding the practicalities of planning applications. Frank asked about this – about wayleaves, landowners and land agents. We in Scotland have a tradition of land agents, who used to be known as factors, going back to the Duke of Sutherland's agent, Patrick Sellar, who is associated forever with the Highland clearances. As a former solicitor I should say that there is a tendency for an agent to go further for his client than his client may necessarily wish. In order to please and satisfy his client, he argues for a higher deal, more money and a better result than the landowner may actually want. So one of the things that I have agreed to do, just this morning at the meeting with renewable energy people, is bring all the land agents into a room with me, the utilities and selected people from renewables to say, "Look, the benefits to your members, the landowners in Scotland, of taking part in the renewable revolution in having small hydro schemes or land turbines on your property are far greater than any extra amounts that you can get from wayleaves if you take us through the courts and hold things up for two or three years". By working together we should be able to sort that out but, again, rarely in politics does one achieve perfection.

I was delighted to hear about Chris Ruane's experience regarding the interconnector and grateful for his support. Presumably, the support that you gave some years ago was not without some criticism from those who objected to it, but you stuck your neck out and took the decision to support it then and now have reaped the reward. There is a lesson there for all of us as elected representatives to follow.

Sorry, I missed out Seán. Overhead pylons, fossil fuels and the difficulties of navigating the planning process have taken up quite a lot of the discussion, and rightly so because they are controversial issues. As far as sharing information goes – this is quite important, and it is what this body is all about – we are very happy to share any information that we can offer with regard to some of the nitty-gritty issues involved. I personally have spent a lot of time on looking at inch issues of undergrounding, and I have to say that it is not an easier or cheaper alternative. The costs of silicone compounds or of putting cables underground, which is not really where they should be located for the effective transmission of electricity, are massive. The environmental impact is of a different type but considerable. As I say, I took a controversial decision and thought that there would be a huge outcry. There was indeed an outcry but it was of a much lesser variety. That is not to say that you should do what Scotland does, but the process that we went through was an instructive one for me. Solutions can be found, and it is possible to take the vast majority of people with us, albeit that this discussion has clearly illustrated some of the practical and serious problems that we have as elected representatives.

I hope that at least to some extent that provides answers to the questions that have been put to me today. I thank you all very much indeed for coming to Scotland, and I hope to have the chance to come to your countries and parts of these islands in future.

[Applause.]

The Co-Chairman (Mr Laurence Robertson MP):

Minister, thank you very much for the speech and for your answers to the questions. You have a very wide brief – energy, enterprise and tourism energy, enterprise and tourism, which are extremely important subjects. We are very grateful to you for coming here today. We know that you have time constraints so I will not say anything more other than thank you much.

While my Co-Chair is speaking to the Minister, may I make an announcement about coaches to the airport? For Westminster Members on the 4.20 pm flight, the coach will leave at 2.15 pm and on arrival at Heathrow there will be a coach to take Members to Westminster. For Irish Members on the 2.55 pm flight, the coach will leave at 4 pm.

Adjournment

The Co-Chairman (Mr Joe McHugh TD):

A bit of housekeeping here: we have received a number of government responses since the previous plenary. They are at the back of the room so I am not going to read them out. There is one from the Welsh Government regarding reports to Committee C; one from the Scottish Government on reports by Committee C and small and medium-sized enterprises; the response from the Irish Government's Office of Public Works on Committee D; and the response from the Irish Government's Department of Jobs, Enterprise and Innovation on Committee C, which I mentioned earlier. As I said, copies of these replies are at the back of the room. If Members are agreeable, I propose that these be noted.

Question put and agreed to.

The Co-Chairman (Mr Laurence Robertson MP):

Just before I call Senator Jimmy Harte, I thank the city of Glasgow for the wonderful hospitality we have enjoyed while we have been up here. I thank the clerks from both countries, Sinead, Olive, Robin, Amanda and Michael for all the very hard work that they have put into making this conference what I hope Members will feel has been a great success. I thank everyone for coming and for their contributions, and I thank all the speakers who have made the conference what it has been. Senator Harte is going to move the adjournment.

Senator Jimmy Harte:

I shall beg to move that we now adjourn. I thank the Co-Chairs for the wonderful few days that we have had in Scotland. The Scottish people and other Members have shown us warmth and hospitality, both inside the chamber and the hotel and generally in the city of Glasgow, which for myself has a big connection with Donegal. Many people from Donegal have cousins in Glasgow and Scotland, and there is a tangible link between Glasgow and Donegal, probably more so than any other county in Ireland. Whether through football, work or tourism, there is a massive opportunity for Scotland and Ireland to link up together.

I also thank Dr Robin James and the staff for their excellent organisation of the past few days. The civic reception last night that was hosted in the chambers was a magnificent event. The image of the two Co-Chairs being piped into the room will stay with us for a long time. It is not unusual for pipers to play as part of the culture, in east Donegal especially, and it would not be unusual for me to see to see pipers but it may be unusual for other people. I really felt at home last night when I saw the piper. I thought that it was for me. Obviously, though, it was for the Co-Chairs.

Again, I thank the officials for such a wonderful night last night. The address from the new Secretary of State, Theresa Villiers, was engaging and set the tone for the plenary. I thank all the speakers who led debates on issues, especially when they spoke about the West Lothian question and about the vibrancy of the Scottish drinks sector. As proof, we saw last night, after being out on the town for a few hours, that there is a very vibrant Scottish drinks industry. I have been reading the history of Irish and Scotch whisky. We in Ireland claim that Irish whisky was the first to be invented. Maybe we will give Scotland the token of achieving it before us, but I contend that we came first. For anyone who does not know, the name “whisky” is from the old Irish “uisce beatha”, which means “the water of life”. The Scottish whisky industry is worldwide, obviously, not just a European industry, and I am delighted to have sampled it last night.

The session today with the Energy Minister, Mr Fergus Ewing, was informative. Next year in beautiful north Donegal, when we go to Rosapenna, which is in Deputy McHugh’s area, the beaches and golf courses will be something to look forward to. We all look forward to next March when we will all be there again. Again, I thank everyone and the officials for hosting the event today. I look forward with Deputy McHugh to welcoming everyone to Donegal next March.

The Co-Chairman (Mr Joe McHugh TD):

Thanks, Jimmy. I would like to be associated with those remarks. I want to acknowledge members of the media who have been here the past couple of days, although I know that some of them have left already because of flights. I acknowledge particularly Peter Geoghegan from the *Scotsman* and *Sunday Business Post*, Mark

Hennessy from the *Irish Times*, Mick Fealty from sluggerotoole.com and the *Guardian*, Quintin Oliver from *Holyrood Magazine*, Andy Forman, a photographer, and Charles Fletcher, a local freelancer. I want to acknowledge other people in the gallery as well for participating and for their work behind the scenes, particular Bobby McDonagh, the Irish Ambassador, who attended last night, and his counterpart, the deputy head of mission, Andrew Staunton.

I thank you, Co-Chair, for providing us with an excellent forum to ask questions. This is the first time in my four years as Co-Chair where we have had supplementary questions on issues, so I think that that was a sign of the intensity of the debate and the magnitude of the task ahead for members from certain jurisdictions. I wish you well and thank you again. You were a little nervous and apprehensive about replicating what we did in Dublin, but I think that you, the staff and the officials have excelled yourselves. The warm welcome that we have had in Glasgow will remain with us, and last night's occasion was something to behold. Thank you very much.

The Co-Chairman (Mr Laurence Robertson MP):

Thank you, Joe. Now I declare the 45th plenary session of the Assembly closed. We will meet in plenary session in Donegal on 3 March 2013, and I am looking forward to it already. *[Applause.]*

The session adjourned at 12.45 pm.