



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EDUCATION AND CULTURE COMMITTEE

Tuesday 29 April 2014

Session 4

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EDUCATION AND CULTURE COMMITTEE

12th Meeting 2014, Session 4

CONVENER

*Stewart Maxwell (West Scotland) (SNP)

DEPUTY CONVENER

*Neil Bibby (West Scotland) (Lab)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)

Clare Adamson (Central Scotland) (SNP)

*Jayne Baxter (Mid Scotland and Fife) (Lab)

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Liam McArthur (Orkney Islands) (LD)

*Mary Scanlon (Highlands and Islands) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Angela Constance (Cabinet Secretary for Training, Youth and Female Employment)

Fiona Hyslop (Cabinet Secretary for Culture and External Affairs)

Joan McAlpine (South Scotland) (SNP) (Committee Substitute)

Michael Russell (Cabinet Secretary for Education and Lifelong Learning)

Liz Smith (Mid Scotland and Fife) (Con)

CLERK TO THE COMMITTEE

Terry Shevlin

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Education and Culture Committee

Tuesday 29 April 2014

[The Convener *opened the meeting at 10:03*]

Scotland's Educational and Cultural Future

The Convener (Stewart Maxwell): Good morning and welcome to the 12th meeting in 2014 of the Education and Culture Committee. We have received apologies from Clare Adamson; Joan McAlpine is attending as a substitute member—welcome back, Joan. Liz Smith will join us later in the meeting for the evidence from Fiona Hyslop, the Cabinet Secretary for Culture and External Affairs.

I remind everyone that electronic devices should be switched off, because they interfere with the broadcasting system.

Agenda item 1 is evidence for our inquiry into Scotland's educational and cultural future. Over the course of the inquiry we have heard from witnesses on higher and further education, early years, childcare, employability and, most recent, broadcasting and culture. We agreed last week that we do not intend to publish a report. However, the evidence that we have taken is available on the Parliament's website and acts as the record of our inquiry. Today is the final evidence session; we will raise with three cabinet secretaries the issues about which we have heard.

I welcome Angela Constance, who is here for the first time as Cabinet Secretary for Training, Youth and Female Employment—you were not quite a cabinet secretary when you were here last week. Congratulations on your appointment. I also welcome the officials who are accompanying the cabinet secretary. I invite the cabinet secretary to make brief opening remarks.

The Cabinet Secretary for Training, Youth and Female Employment (Angela Constance): Thank you for inviting me to talk, for the first time in my new role, about the future of employability in Scotland.

The white paper clearly sets out the Government's ambitions for the future, making clear our belief that our employability services need to be more closely integrated. If we are to move more people into sustainable employment, we must have a system that focuses on early interventions that are based around the particular needs of each individual. As recent reports have

made clear, the existing system is problematic, with different reserved and devolved agencies bumping up against each other. That is not in the best interests of the people who receive services. Only independence will allow us to adopt a system that looks at things differently and seeks solutions that make the system work more effectively.

Under devolution, Scotland has responsibility for education and skills but not for regulation, tax or welfare policies, all of which are crucial to supporting people into sustained employment. In an independent Scotland, we will create a system that works for our people, unlike the current, rigid United Kingdom framework, which encourages providers to prioritise job-ready participants for support, ahead of people who face more substantial barriers to employment.

Across Britain, the performance of the Department for Work and Pensions programme continues to be below the minimum performance levels. We know from the most recent UK Government statistics that nearly 70 per cent of the people who complete the two-year work programme return unemployed to Jobcentre Plus. That is not acceptable.

By comparison, we have done well with our devolved powers. We have a proven record of success. We exceeded our 25,000 modern apprenticeships start target in 2011-12 and 2012-13. We know that 92 per cent of people who complete an apprenticeship are in work six months later, and that positive school leaver destinations—initial and sustained—are at an all-time high. That is welcome. We continue with our opportunities for all guarantee.

We are looking to build on that success. We announced recently that we will work towards having 30,000 modern apprenticeship starts a year by 2020.

Under the existing system, the financial benefits of the Scottish Government's successful employment initiatives go to the Westminster Government, in the form of reduced welfare payments and increased tax revenues. With independence, we will retain those benefits in Scotland and we will be able to reinvest them in our people by funding more of our successful activity.

Despite the constraints of devolution, our policies are working and provide a substantial foundation on which independence can build, to ensure that the most appropriate support is offered to people who are seeking work and preparing to enter the labour market.

However, we must do more. Pre-recession levels of unemployment were not acceptable; we should have the ambition to do far better. We need all the tools at our disposal to improve

opportunities for women, young people and others who face considerable barriers to entering the labour market.

The work of the Wood commission for developing Scotland's young workforce provides an opportunity to take a new approach to vocational education, from school right through to employment. The summit that took place in March was well attended—I know that Mrs Scanlon was there. It was clear from last year's debate in the Parliament that there is cross-party support for the Wood commission's endeavours, which is welcome.

The Convener: Thank you, cabinet secretary. We will go straight to questions from members.

Joan McAlpine (South Scotland) (SNP): Cabinet secretary, if you had the full powers of independence, what priorities would you have for your brief? What would you do?

Angela Constance: I hope that I intimated in my opening remarks that a key priority for me would be the integration of skills services with personal employment services. In my day-to-day work in my current and previous roles, I have found much consensus among the stakeholders whom I have met about the need to integrate Skills Development Scotland and Jobcentre Plus. I do not necessarily say that for political reasons; there is a pragmatic need to bring together careers advice and employment training with job searching and matching. The issue is how we create the whole-system approach.

One of the big opportunities for a big gain from independence will come from decluttering the landscape. We try hard to work well with our partners in local government, in the DWP and in the UK Government through things such as the Scottish employability forum, but the division between reserved and devolved powers, whereby different Governments have different approaches and different priorities, means that—needless to say—things bump into each other.

Learning from some of the best-performing countries around the world about getting serious on early intervention is imperative, not just for young people but for everybody who is looking for a job. We seem to wait too long to intervene to help people who are in the greatest need and who have the biggest barriers to getting into work.

It will be no surprise to members that I am a big proponent and advocate of initiatives such as the European youth guarantee, but the message of early intervention does not apply just to young people. Having a more sophisticated system that identifies early the barriers and the risks of long-term unemployment should be the focus of an integrated skills and employment system that looks not at short-term gains but at the long-term

risks and costs to individuals and their families of unemployment. We should have more sophisticated early triage, if you like.

We should build support around people. Different people have different support needs that vary from a need for light-touch support to a need for intensive support, but the support must be person centred and based on the individual's needs. That is missing just now. Intervening far earlier and providing more personalised support in employment services will complement what we are trying to achieve through the Wood commission, big themes of which are early intervention and a more personalised approach to learning and the transition into work for young people.

Joan McAlpine: Would you see Scotland replicating the DWP's emphasis on punitive measures, such as the recent increase in the use of sanctions against jobseekers and the suggestion that they will be forced to sign on every day, or would you expect Scotland to take a different approach?

Angela Constance: We always need to have a social contract and an approach that is based on reciprocity. If people are seeking work, certain expectations will be laid on them. However, there must be reciprocal arrangements and expectations of the providers of personal employment services.

We know from research about the impact of sanctions that they are having the most adverse effect on people who least understand, or who are at risk of not understanding, the system—for example, people who face significant barriers, such as mental health issues, and young people. My concern is that we have a highly punitive sanctions regime. People could lose benefits for up to three years, which seems in no way proportionate.

I dispute whether the sanctions system is effective. I see the regime's ineffectiveness when young people come to my surgery—I am sure that that is the case for MSP colleagues. If we intervened earlier, we would prevent a lot of the compliance problems further down the line.

10:15

Liam McArthur (Orkney Islands) (LD): You referred to the work of the Wood commission and some of the early ideas that it has produced. You are absolutely right that those ideas have commanded support across the Parliament. There is a recognition that, whatever achievements have been made in recent times, some things are clearly not functioning as we would like in the labour market.

You pointed to a proven track record and surpassed expectations on modern

apprenticeships, but it is fair to say that although the Audit Scotland report on the scheme recognised some of the strengths, it pointed to weaknesses on some of the qualitative aspects and in relation to reaching those who are furthest from the labour market. It is fair to say that, not just in the UK but Europe-wide and probably beyond that, that is the knottiest problem that Governments are trying to wrestle with. Therefore, I suggest that it is a misrepresentation to characterise the situation as being that the Scottish Government cares about the issue and is trying to do something about it but the UK Government is not.

Angela Constance: The Government is on record as welcoming the Audit Scotland report. As Mr McArthur intimates, the report acknowledges the strengths and the success of the apprenticeship scheme in Scotland. In essence, those are to do with the employed status and the way in which the scheme leads to sustained employment. The report certainly made interesting recommendations, which the Government will pursue and implement.

I have always been clear about the purpose of the apprenticeship scheme. Although it is not exclusively for young people, it is largely targeted at them, and it aims to lead to sustainable employment. It is one of the most successful schemes in that regard—the employment rate for people with an apprenticeship qualification is 80 per cent, whereas the rate for the population as a whole is 70 per cent. The scheme has a clear purpose and clear outcomes.

Nonetheless, one area in which the Audit Scotland report chimes with me relates to the learning that we have gleaned from other European countries that have well-established and highly regarded vocational education systems. Those countries also have a body of academic research. In particular, I am thinking of Professor Stefan Wolter, who has articulated clearly through his body of work the short, medium and longer-term gains from apprenticeships for a business and for the economy. In that regard, the Audit Scotland report is right about the need for more detailed qualitative information and research on the impact of apprenticeships. That point is well made.

On those who are furthest from the labour market, it is no secret that there are challenges in ensuring that we get more women into certain modern apprenticeship frameworks, particularly in key sectors of the economy that lead to long, rewarding and well-paid careers. It is certainly no secret that we need to vastly improve the participation in the apprenticeship scheme among members of black and minority ethnic communities. It is also no secret that we need to

improve opportunities for young people with disabilities to progress into an apprenticeship scheme. The Wood commission will help us to unlock some of that, and Skills Development Scotland is engaging in various strands of work in that regard.

Because of the employed status of apprenticeships, invariably the apprenticeship programme mirrors some of the inequalities in the labour market more broadly. Nonetheless, we have opportunities, through the education and skills system, to start to unpick some of the inequalities and improve access for all young people.

There is a very important message for business here. Some of that is coming through the make young people your business campaign, which, in addition to its being used to persuade business of the business case for employing young people, contains an equalities strand. I hope that members will agree that the make young people your business in information and communications technology and digital technologies week had a very strong focus on young people and women. However, as we move into modern apprenticeship week we want to ramp up our equality message and make it clear that the apprenticeship scheme is for all young people in Scotland.

Liam McArthur: Again, I have no difficulty with any of your comments—indeed, I support them pretty much across the board—but the fact is that we are still finding it difficult to support those who are furthest away from the labour market, and Governments at Scottish, UK and European levels are wrestling with that very issue. I also fully support the emphasis that you put on early intervention in your response to Joan McAlpine, but I would argue that that is being taken forward at a UK level through the commitment to early learning and childcare and other initiatives. I am struggling to understand how the argument in which Scotland is characterised as a place where we care about those who are most disadvantaged and furthest away from the labour market while the UK has taken its eye off the ball is sustained by what is actually happening and what, as you have said, is not necessarily happening across the board.

Angela Constance: The strong evidence from a ream of European countries is that we need to intervene earlier, and the best-performing European countries with regard to labour market outcomes for young people either have well-established vocational education and training systems or have led the way with youth guarantees. The UK Government is failing because it should be intervening earlier. It has various schemes including the youth contract, which I know that Mr McArthur mentions a lot, but

the schemes should be available to young people from day 1 of unemployment. The costs of long-term unemployment are absolutely vast, and the more often young people have periods in which they are in and out of employment, the more that has an adverse impact on their overall life chances and future careers. When it comes to young people, we should be making measures such as the national insurance holiday, which will eventually become available through the UK Government, and the youth contract, available from day 1 as Scottish Government schemes are. I suppose that that is the fundamental difference.

We need to take a commonsense approach. For those who face significant barriers to employment, I cannot see how waiting six months, nine months or even longer in the case of people who are over 25 increases the chance of an efficient resolution to such difficulties. It does not, and such an approach simply defies common sense. Countries such as Austria and Finland have led the way with guarantees for young people, and I am utterly convinced that that is the way we should go. I regret that we cannot do so at the moment. The UK Government could be doing certain things just now, but I think that one of the biggest opportunities that will arise with the full powers of independence will be the introduction of a more personalised service and early intervention. As we know, the work programme is failing.

Liam McArthur: The youth contract and the national insurance holiday, which you have just mentioned, are both positive measures and I think that they give the lie to some of the assertions that have been made about the UK Government's approach.

You mentioned Austria and Finland with regard to the youth guarantee, but Eurostat figures suggest that in Sweden, where the youth guarantee is also well established, it has in the main been successful but, again, it has not made any significant inroads into dealing with those who are furthest from the labour market. I do not doubt that, despite the misgivings of certain MEPs, such moves can make a positive contribution, but the suggestion that this is a magic bullet for dealing with those who are furthest from the labour market is not borne out by the evidence from the other parts of Europe where it has been adopted and is firmly established.

Angela Constance: One of the programmes that we currently provide is the employability fund, which is used for those who are further away from the labour market and which has the flexibility to address the skills gap at a local level. The employability pipeline refers to interventions for grades 1 to 5, with grade 1 being those who are furthest away from the labour market and grade 5 being those who are job ready.

The employability fund gives local employability partnerships the flexibility to intervene in the way that is required locally. It is very focused on those who are furthest away from the labour market. We also have an employment recruitment incentive for targeted groups of young people, for which we have expanded the eligibility criteria. Initially, it was focused on young care leavers, young carers and ex-offenders, but it now takes in a very broad definition of disability and additional support need.

We are trying to find ways in which to be as flexible as possible within the resources and powers that we have. However, that still does not get away from having to deal with entrenched problems. We want to prevent entrenched barriers to employment from occurring in the first place, but we cannot leave an entrenched problem for six months, nine months or over a year if we want to increase our prospects for effective intervention.

Liam McArthur: Nobody would doubt the level of independence or the commitment to try to deal with the issue, but nonetheless—

Angela Constance: Nobody disputes that the economic climate has provided some great challenges. However, I would question whether we were doing well enough by our young people and some marginalised groups in a period of economic growth—the youth unemployment figure peaked at 14 per cent in 2006-07 at a time when the economy was growing, which intimates that there are some systemic issues that we need to address. Obviously, I would argue that we need the whole range of powers over welfare, tax, employment regulation and so on. We need the whole gambit to get a whole-system solution.

Liam McArthur: All that Sweden has.

Angela Constance: Well, indeed. However, the thing about a country such as Finland is that 84 per cent of its young people who are seeking employment reach a positive destination within three months. That is certainly worth aspiring to. Nonetheless, nobody disputes that those with the most entrenched problems need the most intervention. They will probably need a bigger package of support. It will still be harder to resolve the problems of people with difficulties than it will be to resolve those of folk who need only light-touch intervention, but I contend that the earlier the intervention, the greater the prospect of success.

Jayne Baxter (Mid Scotland and Fife) (Lab): Good morning, cabinet secretary. I want to follow up on the early intervention theme, which you have highlighted a number of times already. We had an exchange at last week's meeting about Skills Development Scotland and the data hub, in which I referred to the need to link all that to the getting it right for every child processes. Have you

had a chance to think about that? What tools and resources do you think might need to be provided on the ground to enable those systems to work well together?

Angela Constance: I do not want to rehearse any arguments that were made last week, but I think that Jayne Baxter has made a valid point about a whole-system approach. The *raison d'être* for ensuring that agencies share information is to ensure that we can embed systems and that systems do not work against each other.

Jayne Baxter: Do you think that you will be providing guidance to local authorities and partner agencies on how to make that happen?

Angela Constance: Yes.

Jayne Baxter: Okay. Thank you. Yet another short answer, convener.

The Convener: That helps us to move along quickly. Thank you.

10:30

Mary Scanlon (Highlands and Islands) (Con): I am hoping for a short answer to my first question as well. You have talked a lot about early intervention, which I totally support, and you mentioned entrenched problems. This is slightly outwith your remit, but do you agree that we should not just be waiting until people sign on as unemployed; we should be looking at pre-school, primary school and secondary school, before many of the problems become entrenched? We have heard evidence in the Parliament that we can predict who will be long-term unemployed when they are two or three-years-old. Do you agree that more could be done pre-school and that more could be done, within the powers that we have, to provide early diagnosis and treatment for people with mental health problems?

While you were speaking, I could not help thinking of the Calman Trust, which does wonderful work in the Highlands to bring people who were detached from the school process back into the jobs market. I am asking for agreement on that point.

Angela Constance: I think that I agree with the tone and tenor of Mary Scanlon's comments.

Mary Scanlon: I do not think that it was a Tory tenor.

The Convener: Just to clarify things for the *Official Report*, it was not the "Tory tenor"; it was the "tone and tenor".

Angela Constance: I will give an example. I am of the view that we need to take a life-stage approach to tackling occupational segregation and inequalities of that nature. We need to think about

the role models that very young children are exposed to. We need to ensure that primary school children benefit from exposure to learning about construction skills or science, so that they have an awareness of how their learning could contribute to a career. In the senior phase, we need a more targeted approach, with clearer pathways. Again, there will need to be specific, tailored interventions to target training opportunities at particular groups. There needs to be a life-stage approach to tackling entrenched difficulties.

On the second point, there are always ways in which we can do better with the powers and resources that we have, but that does not mean that we cannot also argue for the need for more powers.

Mary Scanlon: I will roll my follow-up questions into one question, because I know that we are running a bit short of time. The UK's policy of a £1 billion youth contract scheme was introduced two years ago, before the European youth guarantee scheme. In the past three months, national youth unemployment has fallen by 48,000.

The Scottish National Party MEP Alyn Smith said:

"I am not in favour of the EU being responsible for delivering apprenticeships—not because I'm ideological about it, but because I don't think the EU would do it better than the Scottish Government ... It's window dressing."

Youth unemployment in Scotland is now higher than youth unemployment in the UK. Does the cabinet secretary agree with Alyn Smith?

As deputy convener of the Public Audit Committee, I want to ask about apprenticeships, on which we have to take more evidence. When I examined the figures from Audit Scotland, I was shocked to discover that, previously, the average funding for an apprenticeship was £5,000, but when the number of apprenticeships increased from 15,000 to 25,000, the average funding fell to less than £1,000. Much of the increase in apprenticeships was a result of relabelling from the old skillseekers programme. There are many more level 2 apprenticeships now than level 3, 4 and 5 apprenticeships. Why has the average funding for an apprenticeship fallen to 20 per cent of what it was previously?

Angela Constance: I will try to rattle through those issues. Alyn Smith MEP voted for the European youth guarantee in the European Parliament. If you look at the context of his report, you will see that he was expressing concern about the lack of budget attached to it. We now have the youth employment initiative funds, which will be available to people in the south-west of Scotland.

The Government welcomed the youth contract, but why should people wait for six months? Let us

just make it available to young people on day 1 of their unemployment. The UK Government could do that now

Mary Scanlon: It is doing that.

Angela Constance: But people have to wait until they have been unemployed for six months before they can access the youth contract. I make the pragmatic suggestion that UK Government should give earlier access to the youth contract.

In Scotland, we have the youth employment Scotland fund, which, like the youth contract, is essentially a wage subsidy, and it is available from day 1.

On modern apprenticeships, some years ago we moved to replace skillseekers with level 2 apprenticeships. That was done very much at the request and demand of employers. It is important to recognise that, in Scotland, 63 per cent of apprenticeship starts are at level 3 or above. That compares well with England, where 63 per cent of apprenticeships are at intermediate level, which is the lowest level. We perform comparatively well with level 3 and higher. Nonetheless, and taking cognisance of the Wood commission report, we want to increase those professional and technical level apprenticeships, and we are very focused on that. Last year, we had around 500 level 4 and 5 apprenticeship starts, and we want to increase that number.

People are free to look at the global funding figure for modern apprenticeships and work out an average per head based on the number of apprenticeships. However, four things are taken into consideration when we decide how to fund apprenticeship frameworks: the proportion that is the taught component; the complexity of the assessment; issues such as the age of the young person; and the level of the apprenticeship—whether it is at level 2, 3, 4 or 5—and whether it is in a growth sector. A range of factors contributes to the funding of a modern apprenticeship framework.

Mary Scanlon: I just want to be absolutely clear, convener. When I was talking about the average, I was talking about the additional funding of £10 million for 10,600 apprenticeships, which works out at £9,300-ish. I meant the additional funding, not the overall average. Does that make sense?

The Convener: I am not sure that your maths is right.

Mary Scanlon: Well, it is close enough.

The Convener: You said that the figure was around £9,000 but I think that you meant £900-ish.

Mary Scanlon: Sorry—yes; it is under £1,000.

The Convener: That makes more sense. Do you want to comment, cabinet secretary?

Angela Constance: My answer is the same. As I have outlined, several factors contribute to the funding that is attached to a modern apprenticeship framework.

The Convener: Thank you. Two more members want to contribute, and then I think that we will probably wrap up the session.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I have a few quick questions about the Wood commission. It was tasked with making recommendations to ensure that Scotland produces better-qualified, work-ready, motivated young people who have the skills that are relevant to modern employment opportunities. What steps is the Government taking to achieve that workforce, and how will it implement the interim recommendations?

Angela Constance: The Wood commission is very exciting. It will produce a landmark piece of work—I hope that my comment is not too pre-emptive, given that we have only had the interim report. My officials and I are doing the detailed work on implementation and we will report back to Parliament in the appropriate fashion once we have received the final report, which we expect to happen in June. I know that there is a great appetite for and great interest in the work of the Wood commission and its agenda.

We have asked the Scottish Further and Higher Education Funding Council to make early progress on its guidance letter documentation. We want to make progress swiftly and, to that end, we will support early pathfinder projects. For example, an announcement was made in relation to Levenmouth in Fife about building a shared campus to support the senior phase. New capital investment will not necessarily be provided everywhere. For example, in my area of West Lothian, funding is being provided for early pathfinder work on how the local secondaries work with the local college in getting young women to take up science, technology, engineering and mathematics subjects.

We are making progress, but if we are to make more progress, we need to have the full report. We are in constant dialogue with our partners, including the Convention of Scottish Local Authorities, because we cannot overestimate the role of local government, particularly in school education.

Gordon MacDonald: One of the recommendations that the Wood commission made in its interim report was:

“Modern Apprenticeships should be aligned with the skills required to support economic growth”.

Where are the skills gaps that provide opportunities for young people? How can we encourage employers in those areas to take on young people, given that the Wood commission highlighted that only one in four Scottish businesses employ young people straight from school?

Angela Constance: The skills survey that was published recently by the UK Commission for Employment and Skills is very interesting. It shows that, in Scotland, an increasing proportion of businesses are recruiting people directly from education. However, although there has been an improvement in that regard, such recruitment is still only at 29 per cent. The big challenge that we face is that we want it to be the norm for companies in Scotland to recruit people directly from education.

We know—there is a vast amount of research to support this—that companies that employ young people are very happy with their work readiness. Of the companies that employ school leavers, 65 per cent say that they are happy with their work readiness, and the figure rises to 85 per cent for university graduates.

The opportunity presented by the Wood commission's work relates to the provision of clear pathways in the senior phase. We have clear pathways into our world-class higher education. What we want for young people is clear pathways into vocational education that start in school. It would be helpful to businesses, particularly small businesses, if some of the apprenticeship qualification could be done in school. In that way, a young person who works for a small employer will not have to spend as much time away at college or with a training provider. That is a pragmatic assessment. There is a huge opportunity for more personalised learning and more blended learning, starting in the senior phase with the acquisition of industry-recognised qualifications.

The Government's economic strategy focuses on the key areas of the economy: energy, ICT, the universities, the creative industries, hospitality and food and drink. Engineering and manufacturing are, of course, still important. That is where the issue of careers comes into play. We need to ensure that educationists, teachers and young people and their parents have far better access to labour market information so that they know where the jobs are today and where they will be tomorrow.

Gordon MacDonald: Recommendation 9 in the interim report was that

"the Government should consider a carefully managed expansion of the annual number of Modern Apprenticeship starts."

What progress do you see being made on the number of starts over the next few years?

Angela Constance: That is an example of an area in which we have tried to make early progress. As you articulated, that recommendation advocates a carefully managed expansion in the number of apprenticeship starts. That expansion will be focused on higher level apprenticeships in key areas of the economy.

We have outlined that our ambition is to increase the number of modern apprenticeship starts from 25,000 a year to 30,000 a year by 2020. However, we want that increase to be driven by higher level apprenticeships, particularly in key areas of the economy. The ICT and energy sectors, for example, offer young people huge opportunities. We need to ensure that our young people have the opportunity to get not just a job but a high-quality, rewarding career.

10:45

Neil Bibby (West Scotland) (Lab): Congratulations on your appointment, cabinet secretary. You have talked about a lot of good policies this morning. As a matter of interest, what is the total cost of those policies to the Scottish Government? For example, what is the estimated cost of the youth guarantee?

Angela Constance: We are still working through our implementation plans. We have always been clear that we will not be in a position to implement the European youth guarantee in full because our powers are limited. For example, we do not have control over the youth contract or personal employment services.

The cost details will emerge over time. However, a European organisation called Eurofound has talked about the cost of youth unemployment, and I contend that the cost of not intervening is far greater than the financial cost of intervening in the here and now.

Neil Bibby: Obviously, the referendum in September is about Scotland becoming independent. You keep talking about what you would do if only you had the full powers to implement things such as the youth guarantee. Surely you should have an estimate of how much that would cost, given that it is in the white paper—or have you not done any costings?

Angela Constance: We are certainly trying our best with the information that we have. At the Scottish employability forum—where COSLA, local government, the Scottish Government and the UK Government get together within the current constitutional settlement—we work together pragmatically, in a grown-up way, to try our best to align services where we can. The forum has been

doing some work to look at what the three levers of government currently spend and at the efficacy of that spend. However, at the last forum meeting that I attended, one issue that came up is that significant information in relation to DWP spend is not available at this point in time.

A lot will depend on how we implement the European youth guarantee. I do not believe that any country in the EU has, as yet, fully worked out the cost of taking forward the European youth guarantee. Nonetheless, every country in the EU, apart from the UK, has signed up to the guarantee, and 23 member states have submitted their European youth guarantee implementation plans. We await feedback in June from the Wood commission, which will make some very country-specific recommendations. Therefore, to be fair, there is a body of work in progress.

Neil Bibby: Will an estimated costing of the policies in the white paper be available before the referendum?

Angela Constance: Will we get detailed information from the DWP before the referendum about how much it is spending and more detailed clarification on the efficacy of its spend? I think that things will be much easier after the referendum.

The Convener: Cabinet secretary, I thank you and your officials for your time. We are grateful to you for coming to the meeting.

I suspend the meeting briefly to allow for a change of witnesses.

10:49

Meeting suspended.

10:51

On resuming—

The Convener: We will now discuss the topics of culture and broadcasting. I welcome to the committee Fiona Hyslop, who is, of course, the Cabinet Secretary for Culture and External Affairs, and her supporting officials. I thank them all for attending. We are grateful for their time.

I invite the cabinet secretary to make any opening remarks.

The Cabinet Secretary for Culture and External Affairs (Fiona Hyslop): I am conscious that you have three cabinet secretaries in front of you this morning and I am happy to move straight to questions, if that is okay with you.

The Convener: That is kind of you, cabinet secretary.

Joan McAlpine: My question is straightforward, cabinet secretary: what would you do with the powers of independence that you cannot do now in your portfolio?

Fiona Hyslop: In relation to culture and heritage, the main area in which we can do more with independence is broadcasting. It is the one area that is reserved in the Scotland Act 1998. In other areas of culture and heritage with which the committee will be familiar, the powers of Government are, by and large, already substantially devolved. There are obviously other opportunities for those who operate in that space, but broadcasting is the main area.

We are very keen for there to be improvements in broadcasting in Scotland. You will have seen from the evidence that is before you that Scotland is the part of the UK that is most dissatisfied with the service that the BBC provides. As we know, much of that is because people expect and want to see more Scottish productions and interpretation on their screens.

With independence, we can establish a Scottish broadcasting service and ensure that we have a continuing relationship with the BBC so that people can access their favourite programmes. Importantly for the economy and the sector in Scotland, independence will also provide the opportunity for more Scottish production, which means more skilled jobs, creativity and opportunities in Scotland.

It is telling to compare the amount of production in Scotland with that in other countries of comparable size. Currently, BBC Scotland produces 2,300 originated television hours. In Ireland, RTÉ produces 4,700, and, in Finland, the figure is 4,900.

It is not only about the powers that the Government has but about the powers to stimulate creativity and the economy that would come with independence. We should think about the opportunities of independence not only in terms of the Government's powers but in terms of what it means to viewers and in terms of jobs and skills in the television production sector.

Joan McAlpine: Do you view that opportunity as creating more high-quality Scottish programming? One of the issues that have been raised with the committee on a number of occasions is the apparent underfunding of Scottish broadcasting if we compare, for example, Radio Scotland with Radio 4. Would funding be improved so that we get better-quality Scottish content after independence?

Fiona Hyslop: Certainly, quality is a major issue—I know that the committee has considered it—particularly with the overnight renegotiation of the BBC charter, which resulted in a 20 per cent

cut across the board. I recognise the challenges that the BBC has faced with resourcing, but we must consider what is being produced within that.

One of the challenges is ensuring value in the quality of production. There is an issue with drama in particular. Quality drama makes an improvement in value. The figures for 2010-11 that came out in the review of the market in 2012, which will not include "Waterloo Road"—the implications of its cancellation are substantial because it is a driver for quality jobs in production—show that, although only 5 per cent of the BBC Scotland commissions were for drama, 63 per cent of the value came from that area. That shows that high-quality drama programming not only provides quality drama for viewers to watch but helps with the development of highly paid skills. It can also help film production, because obviously a healthy, high-quality television production sector can help to feed the film industry, so the skills are interchangeable and can move between the two. However, we have to have quality services.

It seems bizarre that other countries with a similar spend can have a far wider range of radio stations; our range of stations is very limited. Obviously, BBC Radio Scotland does what it does and the committee will no doubt hear from the listener boards about the balance between music and the spoken word, but other countries have a far better range of channels. One of the interesting things about having a Scottish broadcasting service is the introduction of another channel, because a tension exists between people who would like to hear more spoken debate and discussion or phone-in programmes—some of us like phone-in programmes and some of us do not—and people who want more music.

One challenge is how we get more exposure to more types of music in Scotland. How do we get more exposure to new bands that are coming through in the contemporary scene? How do we ensure that there is more exposure for our wonderful range of classical orchestras? The opportunities are there.

I am keen to compare what we are doing through the white paper and the Scottish broadcasting service with what other countries expect. We have something very special in the skills and talent that are in the BBC, but I am not sure that those are being deployed in the best way for the nation. I think that we could build on the assets, the skills and the capital assets of BBC Scotland by having a broadcasting service and another channel but also more radio. That can drive up quality.

It is not just about volume; you are correct to say that it is not just about hours. The current criticism of some of the commissioning is that,

although a programme is made and produced in Scotland, the content might not reflect Scotland. For example, wonderful stories about moving house may be entertaining and generate income, but they might not necessarily reflect Scotland to itself. We have to get the balance right. That is not for Government; it is for the broadcasting service. I absolutely respect the independence of not only BBC Scotland but the new Scottish broadcasting service.

Joan McAlpine: When the Parliament was set up, there were high expectations—right across the political spectrum—of a change in Scottish broadcasting. When this Government came in, it set up the Scottish Broadcasting Commission. Are you disappointed that the broadcasters and their regulators have not done more to develop Scottish broadcasting within the devolution settlement?

Fiona Hyslop: I think that there is huge potential and I am not sure that it has been properly fulfilled. I do not think that there has been a drive or determination to do that at management level—that is the crucial point.

The Scottish Broadcasting Commission established very early in the life of devolution that there needed to be improvements in the volume of production. There have been some improvements, as Scottish production got up to 9 per cent, but it has fallen back down to 7.6 per cent and, unless the high-quality drama that has been produced in Scotland is replaced, that figure will fall.

I acknowledge that improvements have been made but I think that the sector is underhitting potential. What is really exciting about the Scottish broadcasting service is what it can provide for production companies, for the independent sector and for existing staff. There is great potential, but I think that the sector has been underhitting what it can do. Some of that is about internal decision making and some of it is about external constraints. I know that the committee has been monitoring how BBC Scotland has been dealing with the cuts that have come its way—some of that has been external, but I think that some of it has been internal.

11:00

Colin Beattie (Midlothian North and Musselburgh) (SNP): Cabinet secretary, you have emphasised the opportunities in connection with broadcasting. Can you touch on the opportunities to export our culture? The Irish have been particularly effective at that. I do not wish to go too far downmarket, but there is hardly a city in the world that we can go to without tripping over an Irish pub. Ireland has a presence and persona across the world. What are the opportunities for Scotland to emulate that?

Fiona Hyslop: I do not want to get into trouble with the licensing trade, but my ambitions for the Scottish export of culture go beyond Scottish pubs.

Exporting our culture is one of the things that we as a Government have set a lot of store by under devolution. For example, I have maintained our international touring fund for our national companies despite the pressures that we have had.

How a country is promoted abroad is about trade and industry, but it is also about how people perceive the country. Culture is a very important part of that. With independence, there will be far more opportunities. Currently, with the best will in the world and, although I know that British embassies have supported me when I have attended cultural events in conjunction with them, that tends to happen just when a Scottish minister is there and for a short period of time. With independence, there will be the opportunity to showcase our talent on a more consistent and persistent basis in more countries.

A lot of it is about talent. We can promote what we have but, unless we have quality talent, we might not reach where we want to reach. Scotland has world-class talent, which is being showcased in festivals throughout the world. Part of my discussions with the French, for example, has been about festivals and how we can work together. I have signed a statement of intent with the French culture minister. Avignon in France has a great arts festival, and our festival directors are involved with it on programming and what they can do.

It is not for the Government to dictate what happens; relationships are built between professionals. Our job as the Government is to provide the platforms. Some of that is done with international touring fund opportunities, but there is also the showcasing of talent. Obviously, that is where there is the external reach. I am already working with Scottish Development International to ensure that we can showcase Scottish talent in trade visits, for example. Much more of that can be done with independence. What we can do now is limited. The strength of cultural and heritage links is in the quality of that combination.

The committee has previously taken an interest in the National Library of Scotland, whose board I visited yesterday. It has been working in Hong Kong recently on a fantastic exhibition, which I am sure the committee will want to hear more about.

There are things that can and do happen already because of the professional relationships that our institutions, national companies and national collections already have. Independence will allow us to do far more of that showcasing and

to brand it as Scottish, which will give us a unique selling point. Again, it is about quality. Some of the work is contemporary and some of it is heritage, but independence will give us more opportunities and platforms for more connections. It is about opening things up.

Colin Beattie: You touched on my second question when you referred to British embassies. Obviously, there is a substantial network of British embassies overseas. In the past, I have seen newspaper comment that their loss will constrain our ability to get our culture out overseas. Do you agree with that?

Fiona Hyslop: I would not overestimate the activity of British embassies. We probably do more activity with the British Council. Obviously, the British Council is different from what it was even a few years ago. Severe funding restrictions from the UK Government mean that it sources a lot more of its income through other ventures rather than through Government funding. It operates with many different companies and countries, and we already do quite a bit of work with it.

I will give a practical example near to home. We will hold the second international culture summit in the Parliament. The Parliament is one of the five joint partners, which are the Scottish Government, the Edinburgh International Festival, the Scottish Parliament, the UK Government and the British Council. We probably do more activity with the British Council than people are aware of. We jointly fund various activities and we could continue to do that. Of course, the British Council is established under a royal charter, which is a different basis from that on which Government departments operate, and it has had a considerable reduction in funding from the UK Government. I get asked by people whether we would still have those relationships if we had independence, and my response is that we can if we choose to do so. There is an opportunity to do that, and there have been statements from the British Council saying that, regardless of the result of the referendum in September, it expects to have a continuing relationship with the Scottish Government.

Liam McArthur: I could not find fault with much of what you said about unfulfilled potential and about the aspirations that we should have. Where I would depart from you is in the conclusion that independence is required to fulfil that potential, as opposed to a further devolution of responsibilities. We heard evidence from Equity last week that suggested that some of the problems about a centralised mindset are as much a problem for parts of England as they are for Scotland.

On the point that you have just made to Colin Beattie, you will have seen the evidence that we got from the Producers Alliance for Cinema and

Television, which was concerned about the extent to which SDI would be able to replicate the support that is currently available through embassies and through UK Trade & Investment. It is obviously not simply when the cabinet secretary swings into town that they are mobilised in support of Scottish production companies and the wider sector. Do you not recognise that it would be difficult for an independent Scotland to replicate the extent of that network, even if the focused effort in certain markets could be delivered?

Fiona Hyslop: It depends on the focus of UKTI in that area to date and on the services that have been provided, but we should also remember that the range extends not only to the creative industries but to other sectors as well, and there has been some criticism of UKTI for having priorities that are not necessarily Scottish ones. That is understandable, because it serves the whole of the UK. Even in television production, the centralising influence is not just to do with the BBC; it affects the wider sector.

Liam McArthur: You would have to make decisions about whether you were deploying the resources more to support, let us say, life sciences and renewables, rather than food and drink, or culture.

Fiona Hyslop: Exactly. The wider economic interests have to be considered. That is why, of our seven key economic sectors, only three are the same as those of the rest of the UK. That means that, when UKTI is out presenting its case for concentrating on certain areas, four Scottish key sectors are not being given as much attention as might be the case if we were doing that ourselves. However, geographical reach is the key area, and there are key areas such as film and television production where we would want to work more closely with those markets.

Because film and television and the creative industries will be a major area for us, we will ensure that we have that intense presence in the areas that matter, whether that is in California or in developing markets such as Brazil. As an independent country, we can move to focus our attention and resources where they are needed for the industries. It makes us more agile, apart from anything else, and we can then identify the key countries with which we want to work in specific areas. That is the benefit, and that is exactly what other countries of Scotland's size would do.

Liam McArthur: It is difficult to think of a market where the priority may be greater for Scotland than it is for the UK as a whole but where there is not already a presence for Scotland's interests, whether through embassies or through trade and investment activity. Whether SDI or UKTI takes the lead, that presence or network is already established.

Fiona Hyslop: We already have a presence in some key areas with SDI, and we would get a share of UKTI resources. Post-independence, we would also have a shared proportion of UKTI assets to deploy where we chose.

There is a genuine tension between geography on the one hand and effort and commitment on the other. Just because we have a presence in a larger volume of geographical areas does not necessarily mean that we have the time, effort and commitment of the key staff on the industries that matter to us, whether that is food and drink in relation to promoting Scottish salmon or whether it is film and television. Broadcasting is a key sector, not only for the Government but for other parties, so it is predictable that a strong reach in the strong markets that matter will be part of our deployment and activity in an independent Scotland.

Liam McArthur: One of the strongest markets is the UK. We heard that from PACT, Equity and other witnesses. PACT seems to be concerned about the consequences of independence for UK network financing and network commissions and about how Scottish production would be considered: would it be considered as independent in an English or rest-of-UK market? What consideration have you given to that? The other point that was made related to how quickly international co-operation treaties could be renegotiated.

Fiona Hyslop: The question on treaties relates not only to broadcasting but to other areas. As set out in the white paper, we would look to the principle of the inheritance of treaties on a range of areas. It would also be for other countries what they wanted to do.

A good example is the Czech and Slovak situation. Immediately after those nations decided to be independent, on their legal date of independence, the UK wrote a letter saying that it recognised that the treaties that had been signed with Czechoslovakia previously would immediately apply to both those countries.

That relates to the wider treaty context, which is more about the constitution, but it is important to set out that we would inherit the contracts and, indeed the licences. The licences for channel 3 and Channel 4 have been established way into the future, to 2023-24. Therefore, the terms and conditions that the Office of Communications has provided for those licences would still apply.

That has been an important part of our discussions. You can take the evidence from some of the companies that have given evidence to you about what we have said and stated in the white paper about honouring those licences; it applies both ways. The terms agreed by Ofcom, or its successor in an independent Scotland, for

those licences will continue to apply. That also relates to definitions and amount of independent production.

Independent production is very important. The opportunities for the SBS will depend on how much is spent on commissioning. However, in 2016-17, the BBC will have only £175 million for production. We anticipate that just less than half of that will be for Scottish production and half of that for commissioning into the UK. That is a tiny amount compared with the value that other countries have and the amount that they can spend. Therefore, the opportunities for independent production, even only with the Scottish broadcasting service, will be a great incentive for producers.

However, you are asking what will happen in relation to the other companies. Relations with channel 3 and Channel 4 will be continued through the licences as set out, certainly if the SNP were the Government in an independent Scotland, as we have agreed to honour them.

What happens in relation to the BBC would be determined in an agreement on a joint venture with the corporation. The big thing that we will be able to do, which will be of interest to other parts of the United Kingdom, is to move more commissioning—the decision making—to Scotland. Although there is a shift in the percentage of production that is coming out of individual companies, the commissioning decisions are frequently still being made in London. We need to shift that, and a joint venture will provide the opportunity to ensure that there is more balance in that.

I can give you as much reassurance as I can. The operation of Ofcom and licensing and the conditions for independent production would stand and we would honour them.

Liam McArthur: On the BBC, you will have heard Jeremy Peat's evidence last week. He stated that the sums that would be raised through licensing for the establishment of the TV channel, the SBS and, subsequently, the radio channel would be relatively limited. When one considers that there is also the prospect of a commercial relationship to secure all the BBC services that we currently have, it is difficult to see how all the objectives can be met within the budget. I presume that the more we want to do in commissioning Scottish production through the SBS, the less will be available for that commercial arrangement with the BBC.

11:15

Fiona Hyslop: Convener, if you will bear with me, I will go through this in detail because it is

very important. I will be giving some figures. If you need me to follow up on anything, I will.

Currently, £320 million is raised through licence fees. We think that £13 million would come through commercial contracts and £12 million would come from MG Alba, although I am very keen to protect and maintain the current very high-quality output from BBC Alba. The estimated income that we would have, including the licence fee income and the other sources of income, is £345 million.

Liam McArthur: Jeremy Peat's figure was about £260 million to £270 million—

Fiona Hyslop: In relation to licence fee income—

Liam McArthur: You have added the Alba fee and the amount from commercial contracts but you have not factored in the commissioning cost that presumably would be netted off from that.

Fiona Hyslop: I am just about to come on to that, if you can bear with me.

I think that it is recognised that £320 million is generated through licence fees. I do not think that that figure is disputed, so we can consider what we can do with that amount.

If there is a no vote, we need to consider where the BBC is headed. About £201 million was spent in 2011-12 on production in Scotland—that is the most recent figure. That amount is likely to go down to £175 million at the point of independence in 2016-17. That is quite a reduction, which is part of the cuts that have been happening over recent years.

We would have £345 million to spend on the Scottish broadcasting service or £345 million to buy in. We are recommending the joint venture option, with the sharing of the production that is produced already. However, in a no vote scenario, a party could get elected to UK Government that is not completely in favour of public service broadcasting—and remember, the BBC charter is up for renewal and renegotiation by 2016. That future UK Government could set out to privatise the BBC.

If Scotland was on a contractual basis and had to buy in the contract as opposed to the joint venture option, we can look at what other countries do to work out the spend. As regards purchasing, Ireland, the Netherlands and Switzerland currently access BBC content using the UPC Cablecom company. That is about 3.5 million households. If we take the whole BBC Worldwide income, which is far more than just the European income as it includes the middle east and Asia, there is the generation of income from selling the BBC content. In Ireland, the Netherlands and Switzerland, people can access

everything on the BBC through a contract, because they purchase the programmes. The BBC Worldwide figures, which include far more than just the European figures, assume that £260 million is accounted for by UPC Cablecom. If we work out the BBC Worldwide income from Ireland, the Netherlands and Switzerland and used all of that for comparison, we can work out how much it would cost for Scotland. It would come to something like £146 million for Scotland to buy in.

Commercial contracts are confidential, so trying to get access to information is a challenge—not least because of the BBC's own position. However, if we look at publicly available information about how much BBC Worldwide earns from contracting and we use the £345 million income estimate—which, as I said, includes income from the licence fee and other areas—we would have £174 million of licence fee income that we could then deploy in the SBS for Scottish use. It is interesting that that is almost exactly the figure that would be available under the status quo, if the BBC continues.

Why that is possible perhaps goes back to Joan McAlpine's question about how the BBC uses its resources. What does RTÉ get for its £286 million? It gets four distinct TV services and it has far more radio stations. Countries such as Finland and Germany provide far more for roughly the same spend—they get more television and more radio.

The opportunities are there; some of them will depend on the amount of money that we can put in. Even in the worst-case scenario, content could be bought in within the resource base that we have to deploy. We think that entering into a joint venture with the BBC would be better than buying in content, so that it would continue to benefit from productions in Scotland and commissions from Scotland.

The committee is examining the white paper, but it should also consider what might happen to the BBC after 2016. I am not sure that everybody knows exactly what will happen to it post-2016; we should remember that the charter ends in December 2016. Even under devolution, it is unclear from other parties' positions whether there would be any substantial change to broadcasting. In general discussions, people have expected more change than there has been. The only improvements and changes to broadcasting that are on offer are set out in "Scotland's Future".

Liam McArthur: So the message is that people should vote for independence to save the BBC, is it?

Fiona Hyslop: We believe in public service broadcasting, but there are people who do not. Jackson Carlaw has made it clear that he thinks

that we should get rid of the licence fee and that the BBC should stand on its own two feet. People in some parties—I am not saying that they include Liam McArthur's party—have particular views. In private members' bills on the BBC that are going through the House of Commons, some parties are attempting to undermine the public service broadcasting ethos. I am sure that Liz Smith or others can leap to the defence of their Westminster colleagues on that.

The Convener: I am sure that Liz Smith is about to leap to their defence.

Liz Smith (Mid Scotland and Fife) (Con): You said that you expect a joint venture. What discussions have you about plans for the relationship between a Scottish broadcasting service and the BBC, should there be an independent Scotland?

Fiona Hyslop: I meet the BBC regularly. I have met Tony Hall, its new director general, and I meet Ken MacQuarrie and the team at BBC Scotland periodically. I have set out to them what we would want to pursue for our operations. We have shared our plans with them and tried to engage them in the discussions. However, as you well know, the BBC has adopted a self-denying ordinance. Ian Small, who is the head of public affairs at BBC Scotland, said at the Salford media festival on 20 November that

"There will be discussions at some point, but right now, given where we are relative to the referendum, I think if we were to hold the position or to be seen publicly to hold the position on a constitutional issue, which effectively broadcasting is as part of the referendum, that could be seen ... as colouring and partiality relative to reporting on the referendum."

I understand that discussions would have to be private and confidential; we have had such discussions with other companies and institutions, but discussions with BBC Scotland have been limited. With your indulgence, convener, I will compare the remark that

"if we were to hold the position or to be seen publicly to hold the position on a constitutional issue ... that could be seen ... as colouring and partiality relative to reporting on the referendum"

with the recent comments from BBC Scotland's National Union of Journalists chapel about concerns over the Confederation of British Industry Scotland issue. I will quote a BBC journalist, who said:

"Members of the NUJ union at BBC Scotland have called on the BBC to immediately resign from the CBI to protect their #indyref impartiality."

The journalist used the hashtag "#indyref".

I am not sure whether the CBI has a more privileged position than the Scottish Government does in relation to access to the BBC and

discussion with it about issues that might be perceived to be constitutional. I stand willing and able to have private and confidential discussions with the BBC, to ensure that the excellent staff and the services that BBC Scotland provides make a smooth transition when we move to independence in 2016.

Liz Smith: Notwithstanding that, cabinet secretary, the Scottish public need to make up their minds about whether they are going to vote yes or no on 18 September, and they need to know what the relationship would be between the BBC and the Scottish broadcasting service. Last week, when he gave evidence to the committee, Jeremy Peat made it very clear that that relationship would be different. The white paper says that, too. He made the point that

“countries outwith the UK”—

which an independent Scotland would be—

“are required to pay for access to the iPlayer and the web, and the services that are provided are somewhat different.”—[*Official Report, Education and Culture Committee*, 22 April 2014; c 3996.]

What guarantee can you give the Scottish public that they will see no diminution in the quality of the services that are provided to them, and that there is appropriate funding for that?

Fiona Hyslop: I have already set out the funding, the value of which would be £345 million. I think that it could be deployed with a joint venture—that is the recommended route in the white paper. However, should a future Conservative Government, for example, not believe in public service broadcasting, we would be left to purchase programmes as the other countries that you mentioned do. For example, people in Ireland receive the quality and range of programmes that they want to receive.

The viewer is probably less interested in our relationship with the BBC than in whether they will get the programmes from the BBC, and in the quality of the programmes. Those things can be guaranteed either by joint venture or, in the worst-case scenario of a future change in the UK Government’s view on public service broadcasting, by purchasing on a contractual basis, as happens in other countries. Our preference is for a joint venture.

Liz Smith: Would Scots have to pay to use the BBC iPlayer, as people in other countries have to?

Fiona Hyslop: No.

Liz Smith: That is a categorical assurance.

Fiona Hyslop: Yes.

Liz Smith: The funding that you have set out is for 2016. What guarantees have you received that

that funding arrangement would continue beyond that?

Fiona Hyslop: The majority of the funding comes from licence fees. An international debate is taking place; Finland, for example, has just moved away from having a licence fee. However, our view is that the licence fee will continue and will be a source of funding for public service broadcasting. We believe in public service broadcasting, and at this time the licence fee is the best way to fund that.

Liz Smith: I ask the question because the BBC would be signing up to a very different situation from the current situation. Why would it be prepared to sign an annual cheque on an on-going basis for an organisation that was not contributing to its income in the same way?

Fiona Hyslop: I am not sure where you are going with that question. Currently, the licence fees go to the BBC as opposed to the BBC signing cheques for somebody else. Everyone around this table who pays the licence fee pays money to the BBC. The BBC does not sign over resources out of generosity of spirit.

Liz Smith: With respect, cabinet secretary, the relationship would be very different under your proposals for an independent country. Why would the BBC continue to fund what it was providing in Scotland?

Fiona Hyslop: Licence fees collected in Scotland would come to Scotland, and it would be in the BBC’s interests to come to an arrangement with Scotland. If it did not, it would lose £320 million in licence fees, and for an organisation that has already suffered cuts of 20 per cent in recent years that is a not insubstantial amount. As well as that income, the BBC would continue to receive the commissions and productions that it currently receives from BBC Scotland; there would just be a different arrangement. If it did not come to that arrangement, it would suffer a loss of income of £320 million.

How much of that money could it recoup? Using the purchasing figures that I quoted to Liam McArthur, and extrapolating from the BBC World Service figures for what is sold worldwide, we calculate that it would recoup only £176 million. That is a financial incentive for the BBC.

There is also a professional incentive. A case can be made for having a completely independent broadcasting service with no connection to the BBC, as some people want. However, the professional connections that exist have value, and we would want to continue that relationship. We think that that is better with a joint venture rather than just contracting. In relation to the

figures, not to lose £320 million of value from BBC Scotland would be an incentive for the BBC.

11:30

Liz Smith: Those figures and the joint venture that you mention would be entirely dependent on what we were told at committee last week would be negotiations that would go on after the referendum. If Scotland votes for independence, you would have to enter negotiations at that point, as I understand it.

Fiona Hyslop: And?

Liz Smith: How can you make it clear to the Scottish public what the broadcasting service will look like beyond independence if we have not entered negotiations?

Fiona Hyslop: Of course discussions and negotiations will have to take place. That will happen in a range of areas. People would expect them to take place. If the committee thinks it important that the discussions take place, it would be helpful and encouraging for it to write to the BBC—to both Ken MacQuarrie and Tony Hall—saying that it thinks it important that further information be provided to the Scottish people. I am more than happy to do that, and I would very much like your support in arguing that case. I will quote Ian Small again. He said:

“There will be discussions at some point”.

If the BBC does not engage now, “some point” will not be until 19 September, but I—and, I think, you—would like those discussions to happen before then, as we would then be able to provide more of the information that people want. I am glad to have the support of the committee; I will leave it up to you to make a decision on what you want to do. At this stage, that is not my responsibility; it is that of the BBC—the ball is firmly and squarely in its court as regards how much it wants to engage and what information it wants to provide.

Liz Smith: With respect, it is the responsibility of the Scottish Government, given the publication of the white paper, to make it clear what the process would be.

Fiona Hyslop: We have set out international comparisons and said what other countries can do. They can do far more with their resource base than is currently the case with the BBC. There is perhaps some general criticism of how much the BBC has spent on production versus management, but it is up to others to investigate that.

As we have set out, we would set up an expert panel with provisions for a Scottish broadcasting service. It could be established by legislation, or it

could be established by royal charter. There are different means by which it could be done. We will have 18 months. Given that the BBC charter ends on 31 December 2016, the timing is appropriate for such a transfer to take place.

I am more than happy to engage with the BBC now; I invite it to engage with us. I have had discussions and I have made such offers privately; I am now doing it publicly. If I can do that with the support of the committee, that would be very helpful.

Neil Bibby: The BBC is currently our public sector broadcaster. There is discussion around setting up a separate Scottish broadcasting service with about £300 million. I am struggling to understand this. How is that going to be better for Scottish viewers than the BBC, as a public sector broadcaster with 10 times that amount?

Fiona Hyslop: It is because you will get the same quality and range of your favourite programmes. I am not sure if you are a “Strictly” man when it comes to your viewing habits, but people would still be able to receive the popular programmes. They would also be able to see more Scottish drama. That is key—and not just from the point of view of quality for the viewers. As I mentioned earlier, it is also a real driver for quality jobs in the sector.

On news and current affairs, as we all know the most frustrating part of the coverage that we get comes during the UK “BBC News at Six”: we get reports on health or education that apply to other systems; those powers are devolved. That is confusing for people, so things could be done differently.

We could get not just far more coverage of Scottish news and current affairs; there would be opportunities for drama, and we would still be able to receive quality BBC productions, as countries including Ireland, the Netherlands and Switzerland do. That is a great opportunity, the value of which is strong.

The German model is an interesting one for the committee to look at. There are three public service broadcasters—one is radio, but I am talking about TV broadcasters. ARD operates with nine regional broadcasters. Hessen has a population of about 6 million—that is obviously more than Scotland’s population—and the Hessian Broadcasting Corporation provides more than 7 per cent of the output for the channel. The corporation’s income is more than what we say an independent broadcaster here would have, at £398 million; it has 2,500 employees and produces extensive amounts of originated hours. The quality and range of production is beneficial.

One might say that that sounds like a good deal. I think that the example reinforces the point that

Joan McAlpine made. Even in the current set-up, under devolution, we are underhitting in terms of the potential for jobs, services and Scottish production. We think that our potential can best be achieved under independence; it can be achieved only if we have in our hands the legislative tools in relation to legal structures for the responsibility to fund an independent broadcaster directly through a licence fee.

Neil Bibby: You said that we will continue to have all the BBC programmes if we become independent and set up a Scottish broadcasting service. Those programmes are part of the British Broadcasting Corporation and are for viewers across Britain. If we become independent, we must buy them in—they go from being British programmes to being rest-of-UK programmes.

You expressed frustration about our not necessarily getting full coverage in the BBC news. Obviously the BBC news is a British news programme, so it has news from right across Britain. We would not have influence over rest-of-UK programmes and we would not get the same coverage in them as we currently get—there are a load of programmes that I could mention.

We are part of the BBC at the moment. Under your proposal, we will simply buy in some programmes and the BBC will not be our public service broadcaster. That is the problem as I see it.

Fiona Hyslop: I think that you misunderstand the proposals that we set out in the white paper, in chapter 9, which starts on page 309. We think that there should be a joint venture with the BBC. In exchange for our production in Scotland, which currently amounts to 9 per cent of BBC production, we would have access to BBC productions from the rest of the UK, which we could take or not take, depending on what applicable alternative programmes the Scottish broadcasting service could provide.

Buying in programmes is not what is recommended in the white paper. What I am saying is that if we were left in a situation in which we had to do that, we could still afford to do it; we could have a situation such as there is in Ireland, Germany, the Netherlands and Switzerland, which get all the popular BBC programmes on a buy-in basis. That is an option, although it is not the one that is recommended in the white paper. What is recommended in the white paper is a joint venture. That is not about buying in, although in the worst-case scenario we could do that, as other countries do.

Neil Bibby: We have a joint venture just now. It is called the BBC.

Fiona Hyslop: The question for the committee, on which it has spent a lot of time, is whether that

joint venture, as Neil Bibby has described the current set-up, is giving us quality and our fair share of productions. Are we getting a good deal in terms of the hours that are produced? RTÉ's spend is £286 million and it produces 4,700 originated hours. Finland, with a population of 5.4 million, spends £386 million and has almost 5,000 hours of production—almost double what we currently produce. In the current set-up, I am not sure that we are getting the value that we could get; the only option for increased production comes through independence.

Neil Bibby: I mean no offence to RTÉ or Finland, but I would rather just keep the BBC.

The Convener: That is what we are doing.

Fiona Hyslop: We are keeping the BBC. That is what is proposed in the white paper.

The Convener: A number of members still want to come in and time is extremely short. All the members who still have to speak can ask one question each. A quick question and reasonably quick answers would be helpful. I believe that Gordon MacDonald has a supplementary question.

Gordon MacDonald: Yes. I was going ask about the RTÉ and BBC Northern Ireland situation. The cabinet secretary has talked about a continued relationship with the BBC, or there might be a joint venture. I understand that, in 2010, the Irish and UK Governments signed an agreement that BBC1 and BBC2 would be shown in Ireland and RTÉ One and RTÉ Two would be shown in Northern Ireland. Is that alternative relationship one that we could have?

Fiona Hyslop: That is exactly what happened. It is interesting—Neil Bibby might be able to correct me if I am wrong on this—that, under the Labour Government originally, that was going to be done at no cost. With the new incoming Government, however, an agreement was then made with the Republic of Ireland that there would be a cost. Again, there are commercial issues, but we know that the cost was not an insurmountable amount; it was quite a reasonable amount, such as we could quite easily cover in our spend. That is a possibility.

We recognise the quality of the BBC and the staff and assets that exist. We expect to have a continuing relationship with the BBC, and that viewers will get to see the programmes that they want.

Jayne Baxter: I am a little bit confused, so I must seek clarification. In an independent Scotland, would I pay my licence fee to the Scottish broadcasting company? Where would it go?

Fiona Hyslop: We will come to an arrangement on how the broadcasting income that is generated is collected.

Jayne Baxter: Who will take my money?

Fiona Hyslop: It will depend on the scenario; it will depend on whether we are in a joint venture or we contract. The licence fee income would come to the broadcasting company in Scotland.

Jayne Baxter: How would I manage to watch the BBC if I want to do so?

Fiona Hyslop: I will try not to be flippant.

Access will be as it is just now.

Jayne Baxter: You have used the word “popular”. There will not be somebody controlling the BBC output, but I will be able to watch everything that I watch just now on the BBC.

Fiona Hyslop: That will be part of the benefit of the Scottish broadcasting service. Obviously, if you have the iPlayer, you will be able to access what you want, but the opportunity for channel 1 and channel 2 is that the Scottish broadcasting service could provide alternative programming, instead of our watching programmes that really have very little to do with the cultural life of Scotland. It is clear that popular programmes like soaps are mainstays of viewing, but we know because of the more than 50 per cent dissatisfaction rate with the services that come from the BBC that people want to see more Scottish broadcasting. That is the benefit of the approach.

Jayne Baxter: Will the SBC provide replacement broadcasting or increased choice and increased options?

Fiona Hyslop: It can provide replacement programming for programming that is not necessarily appropriate to Scotland. In time, it can provide additional programming.

Jayne Baxter: Who will decide?

Fiona Hyslop: There are professionals who do that. We respect the independence of the broadcasting companies. The BBC and BBC Scotland professionals will be maintained in an independent Scotland, as would those in the Scottish broadcasting service. The Government will not decide what programmes you will watch in an independent Scotland. That will be left to the professionals.

Jayne Baxter: Will Scotland have a representative on Ofcom?

Fiona Hyslop: If you read the white paper, you will see that we recommend that we have an regulator that looks at the wider areas of regulation, such as economic regulation, but for

the media and broadcasting, it clearly makes sense, because we have the Scottish office of Ofcom, that we look at how we would do our own media regulation.

Jayne Baxter: With all due respect, what we have just now works perfectly well. I cannot see how any of that is an improvement. That is my view.

Fiona Hyslop: With all due respect, 50 per cent of the population of Scotland does not agree with you. That has been evidenced not by the Scottish Government but by the BBC’s own surveys that show the satisfaction rates, which it is obliged to do.

Jayne Baxter: The approach seems to be a long way round to deliver improvements.

The Convener: I said that there should be one question. I have been very lenient.

11:45

George Adam (Paisley) (SNP): Good morning, cabinet secretary.

It might be helpful to some of my colleagues on the committee if I point out that, in effect—like many of the other things that are mentioned in the white paper—the BBC is a shared asset, which is something that would be discussed during the negotiations.

On the television production side, alternative programming is the exciting part. I think that it was the representative of Equity who said last week that there is a problem with commissioning. Equity wants more commissioning to be done locally, so that Scottish companies get more opportunities. Is it not the case that we will have an opportunity to build production capacity and to have “Made in Scotland” programming?

Fiona Hyslop: Absolutely. We can see quality programming coming through not just from the BBC but from STV; much of the discussion has concentrated on one of our broadcasters.

As I have said previously, production is extremely important, as are commissioning decisions, from the point of view of the jobs that are available not just for technical staff such as producers and directors, but for performers and actors. There will be far more opportunity to showcase Scotland to itself and to see the work of some of the quality companies that we have. As cabinet secretary, I have a direct relationship with our national companies, which produce fantastic work, and I would like more of it to be showcased.

When it comes to production, there will be opportunities for the alternative programming that you are talking about and for additional

programming. The prospect of more choice and more quality is extremely exciting.

George Adam: I am fed up about all the talent that leaves the great town of Paisley to bring culture to the rest of the world. Independence will give us an opportunity to keep our talent in Scotland and to ensure that we have sufficient capacity.

We are talking about STV and our smaller broadcasters, as well as the BBC. STV Productions commissions all its programmes in Glasgow. As well as making shows for the BBC and the ITV network, last year it was involved with an American TV company in a joint production on the Lockerbie bombing. Joint productions are the way of the future for many programmes, including documentaries. We are talking about taking that model, which is the direction in which television production is going, and using it with our own national broadcaster. Is that correct?

Fiona Hyslop: You have explained that very well. If we look at the credits at the end of good-quality productions, we see that many of them are co-productions. There is a lot of co-production taking place. As you said, the problem is that there is not enough business for Scottish talent. We are talking about providing an opportunity to create more business for Scottish talent.

The Convener: If Joan McAlpine has one question, she can ask it now.

Joan McAlpine: My colleague George Adam made the point that the BBC is a shared asset. The cabinet secretary has quite rightly mentioned the £320 million annual contribution from the licence fee. In the context of the shared asset, we are talking about a cumulative investment in the BBC by Scottish licence fee payers that has funded things including the iPlayer. I suppose that your approach to negotiations would be that we have already paid into the shared asset. Therefore, is not the suggestion that some of our colleagues have made—that we would not have a claim on any of it—nonsense?

Fiona Hyslop: I agree. Much of the income stream comes from programmes that have already been made that continue to generate an income. Scotland has invested in those accumulated assets. They are shared assets, too. We are talking not just about the licence fee in the here and now, but the built-up, shared assets.

The Convener: Thank you very much for coming along and giving us your time, cabinet secretary.

11:48

Meeting suspended.

11:53

On resuming—

The Convener: I welcome Michael Russell, the Cabinet Secretary for Education and Lifelong Learning, and his officials. Thank you for attending today. We intend to cover the topics of higher and further education and early years and childcare. I invite you to make some opening remarks.

The Cabinet Secretary for Education and Lifelong Learning (Michael Russell): I will be brief. I know that you have already heard from the Cabinet Secretary for Training, Youth and Female Employment and from the Cabinet Secretary for Culture and External Affairs, and I am delighted to give an overview of what independence will mean for my portfolio.

I believe that there are strong and positive reasons for independence, and the referendum offers Scotland and Scottish education a great opportunity. As the committee is aware, we are already engaged in closing the attainment gap and are demanding greater equity from our education system. At the same time, we are creating opportunities for people to deliver skills in our colleges and encouraging excellence and ambition in our universities.

Our aim is to make a good system a great system once again. We have a clear framework and a programme of investment to make that happen, but with independence we could do so much more.

The committee has already discussed our plans for a transformation in childcare. With independence, we can ensure that tax revenue raised in Scotland stays in Scotland, instead of going to the Westminster Treasury. That in turn means that the revenue can be invested in our children's future. We want nothing less than to make Scotland the best place in the world to grow up in, and that begins with a universal childcare system from the age of one.

The proposals outlined in "Scotland's Future" will help more than 200,000 families, saving them up to £4,600 a year. Transforming childcare will give more parents—particularly women—the opportunity to work, and it will ensure that more Scottish families are better off. The plans are affordable and sustainable. We estimate that they will create an additional 35,000 jobs in the childcare sector, doubling the current workforce.

Independence will bring other benefits, too. One major gain will be the use of the welfare system to end the lack of equity and the underachievement in our schools that are caused by poverty. In order

to eradicate poverty once and for all, we need the full powers of independence. We need no less than the normal tools of a normal nation. Poverty undermines all achievement. It blights communities and gnaws at the heels of any educational gain that we can make, but by using our welfare, taxation and labour market powers—powers that we do not presently have—we will be able to achieve equity in our schools, to ensure that, in the words of Ontario educator Avis Glaze, poverty is not educational destiny, and to build the high-skill, high-wage, high-achieving country that we aspire to. That can be achieved only by independence.

Another important gain with an independent Scotland is that it will allow us to protect free higher education for future generations. The committee knows that at the heart of our approach to higher education are two principles: that education is a societal good, not just an individual good; and that access must be based on the ability to learn, not the ability to pay. Those principles will continue to guide our approach in an independent Scotland. That means that we will continue to protect free access for Scotland-domiciled students.

With independence, we also want to continue to attract students and researchers to our universities. As a first step, we will introduce the student visas that Westminster removed, which will encourage more talented people from around the world to study in Scotland. Scotland does not need, should not have and does not want the immigration policies of London and the south-east. It needs to be seen as a welcoming place, open for academic and research business and more than willing for those with talent to stay if they wish to build lives and careers here. Clearly, Scotland must have the powers of an independent nation to develop an immigration system that works for Scotland and ensures that we fully protect the international reputation and success of our universities.

The task that we are engaged in now is about envisaging and then achieving a better Scotland. That is the core definition of independence. It holds for education as it holds for every other area of Scottish life. The present Government has already shown, and this Parliament has shown, that decisions made in Scotland are best for Scottish education. I believe that a Scotland in full control of its own powers and resources—an independent Scotland—will bring even greater benefits to children in their early years, to our schools, colleges and universities, and to learners at every stage of their lives.

I welcome questions from the committee on those and, no doubt, many other points.

The Convener: I believe that Joan McAlpine has a general question with which to open.

Joan McAlpine: It is the question that I have put to other cabinet secretaries. What would you prioritise with independence and why you are unable to do it now under the present system?

Michael Russell: There are a number of areas, but let me focus on two of them. One is transformational childcare, and to achieve that we need to have the tax system operating, given the scale of the challenge of increasing childcare provision. We have taken childcare from 417 hours up to 457 hours. We are about to take it to 600 hours for three and four-year-olds and are beginning to expand that provision to two-year-olds. To take the provision up again, first to 1,140 hours, to include more two-year-olds, and then to take it up again for one-year-olds and above requires the full powers of independence, and that is what we need.

The second area is one that we may not be able to explore today, and it is to do with schools. If we are to close the attainment gap, which we all want to do, we need full tax, welfare and labour market regulation powers. We know from the most recent programme for international student assessment figures that Scotland is making better progress in closing the attainment gap than other parts of these islands are, but it is accepted everywhere in the world that it is necessary to use more than the tools of education to bear down on poverty—it is poverty that creates those circumstances.

Our challenge is to use those powers wisely to close the attainment gap, and closing that gap means that every young person and every child gets the same opportunity in our society. That is something worth striving for, and it is independence that can get it.

The Convener: We intend to go through things in the same order as we did when we took the original evidence, so we shall start with immigration. I would like to give two quotations.

The first is from Professor Muscatelli, who said recently in *The Herald* that the message that Westminster is giving to overseas students is

“don’t come here, we’re closed for business, closed for education.”

He went on to say:

“It’s exactly the opposite message that a number of other countries are sending, including the US, Canada and Australia. I don’t think we should be there as a country.”

A while back, David Watt from the Institute of Directors said:

“We have an immigration policy that’s largely led by the southeast of England and it’s a significant problem for Scotland”.

Will you provide some detail about the problems with immigration policy, specifically in relation to further and higher education?

12:00

Michael Russell: Anton Muscatelli is absolutely correct in what he says, and others have said it, too. For example, Lord Krebs, the chair of the House of Lords Science and Technology Committee, said this month:

“The overwhelming evidence that we received led us to conclude that changes to the immigration rules in this country have played a direct part in putting overseas students off from choosing the UK ... We are calling on the Government to overhaul its immigration policies—in particular it needs to do away with the new rules on working after study.”

That comes from the heart of that establishment and is what everybody else is saying.

We can see two effects of the policy. One is the off-putting effect, whereby people do not bother to apply and do not want to apply.

The number of non-European Union international students in 2012-13 compared to 2011-12 fell by 195. That is a small fall but, in fact, the scale of the fall was masked by the fact that the number of students from China went up by 30 per cent. Across the globe, people are asking whether Scotland is where they want to study. They know the excellence of Scottish universities, but they also know the reputation of the Home Office and the immigration service, which want to deter people from coming in for two reasons: the first is the tick-box approach that is taken; and the second is the influence of the United Kingdom Independence Party on politics of south of the border.

The number applying is going down, which is worrying because international students are an important part not only of the financing of the university system but of its intellectual health. Let us look at the number of new entrants to Scottish higher education institutions from some core countries. Those from India are down 58 per cent; those from Pakistan are down 38 per cent; and those from Nigeria are down 22 per cent. In some countries where there is a belief that the policy is, to be blunt, inherently racist, people simply will not apply.

The reduction in numbers is serious, but we also have a reduction in the absolute excellence of people who want to come because—this is the second issue—it is not only about undergraduate students.

The global excellence initiative, which we have assisted in funding, involves the University of Edinburgh and the University of Glasgow. It is designed to draw in the best postgraduates and to

give them the opportunity to continue their careers. However, if there is no post-study work visa—if that has been abandoned—the potential for people to stay in universities, or outside them, is virtually removed. That applies to students from countries that I have mentioned and from elsewhere.

I was in Canada at the end of last year, where I met a businessman whose daughter had come over to do a postgraduate course. She then got a job while she decided over the summer whether she wanted to stay and was just told that she had to go. There were no ifs, no buts—just go away. That was the wrong thing to do. It caused offence, it was needless and it was simply a tick-box approach.

The policy is damaging—everybody knows that. The university vice chancellors are concerned about it, as are the colleges, because of a problem with college recruitment. Other countries' numbers are actually rising while ours are falling. That shows how damaging it is. It should stop. In my view, the only way that we will get it to stop—because, regrettably, although Labour talks a good game, it does not tend to deliver—is independence.

Liam McArthur: I restate my support for the notion that UK immigration policy needs to change but invite the cabinet secretary to observe the figures that we got from the Higher Education Statistics Agency on international students: in 2008-09, there were 23,960; in 2012-13, there were 28,205; and, indeed, in 2010-11, there were 27,880. Although I accept that the policy has damaging reputational and practical effects, there are also risks in declaring that numbers are going down. I accept that there is an argument to be made that the increase since 2010-11 has not been as high as it otherwise would have been, which is regrettable.

Michael Russell: There is now a noticeable decline. Some of it is being masked by a significant increase from one country—China. I entirely accept Liam McArthur's bona fides on the matter, and I entirely accept that he agrees that the situation should change. However, when Pete Downes gave the committee evidence on the matter, he pointed out that there has been a growth in overseas student numbers in Canada, the United States and Australia over the past four years. You might ask yourself why there has not been a concomitant growth in this country, given that, if anything, the excellence of Scottish universities is better known now than it was before, and the likely reason is migration policy.

Some time ago, Australia suffered from a dip in figures when the policy there was seen to be anti-migration. I spoke a couple of years ago at an event organised by the Australian organisation

that deals with incoming students. It was quite obvious that the people there recognised that there was a problem, which they had to resolve. We are doing nothing to resolve our problem—quite the reverse, in fact. Justification is given with bogus student numbers. The issue, which I thought Pete Downes addressed extremely well at the committee, does not lie at the door of universities, and it certainly does not lie at the door of Scottish universities.

Liam McArthur: I contrast what you have just said regarding the suggestion that things are getting worse with the evidence that we took from Alastair Sim—albeit not as part of this inquiry, but when we visited the matter previously. He said that there had been concessions and that improvements had been made, although everyone on the committee would probably accept that those had not gone far enough. That is perhaps a false characterisation of the situation.

As for where we go from here, is there not a risk that the wider the variation in immigration policy between an independent Scotland and the rest of the UK, the less sustainable it is to argue that the integrated network governing how higher education works within the UK and more widely can be sustained? Is it not the case that, if there was a radically different approach to immigration north of the border, the integrated higher education system that we have could not be sustained? For people coming to Scottish universities, some of the attractiveness lies partly in their ability to take up positions or to further their studies across the UK.

Michael Russell: There is no evidence of that in the slightest. The evidence is that the really successful higher education system in Scotland, which is the highest-performing education system in the world, is being badly damaged by a wrong-headed and, I think, malicious, immigration policy that is being run from south of the border.

Liam McArthur: You think that, if we had a separate immigration policy that was at variance with the UK's immigration policy, it would simply be business as usual as regards how students and anybody else would be able to operate and travel around the UK—

Michael Russell: It would be better than business as usual. There is a lot of hot air on this subject; let me cut to the quick. The argument is that we cannot have a separate migration policy if we are part of a common travel area. The people who would know about that are the Irish, so I will quote the Irish Department of Justice and Equality, as reported in *The Scotsman* on 24 January 2014:

“The Common Travel Area in no way alters our control over immigration or visa matters and who can or cannot reside in Ireland.”

Liam McArthur: But their immigration policy—

Michael Russell: Can I finish? That is a canard. It is simply not true. Having a Scottish migration policy that allows Scottish universities to attract the best talent from overseas will be positively beneficial for Scotland and Scottish higher education. There is no evidence of any sort to the contrary, and the evidence that comes to the committee from university principals themselves says as much.

Mary Scanlon: I think that you have mentioned that there is a lot of focus on the reduction in the number of students coming here. However, the number for those coming from China is up by 30 per cent, the figure for the USA is up by 9 per cent, and there are increases of 49 per cent for Malaysia, 15 per cent for Hong Kong and 56 per cent for Thailand. The figures for some countries are down, but they are up for others.

I will pick up one point that you made. There was a “Panorama” programme, I think, on bogus colleges. I appreciate that none of them was in Scotland. You mentioned the post-study work visa. In an independent Scotland, would you monitor and audit beyond their time in education students who came here for further or higher education? Would you monitor and audit the post-study work visas of students who came here from non-EU countries and who went on to work in Scotland? That has been a major problem at Westminster. After many students graduate, there is no record of them, and that has been an issue. What commitment would you have to addressing that issue?

Michael Russell: Before I answer that question—and I am happy to answer it—I make it clear that there was considerable strength to the evidence that was given in response to questions about bogus student numbers. I refer to Pete Downes's evidence and to the fact that, as Mary Scanlon admits, there is no evidence that that abuse existed in Scotland. I also make it clear, as I think Gordon Maloney of the National Union of Students Scotland did, that many of us view the issue as a little bit of a tactic to try to justify a policy that is inherently wrong.

I am happy to say that no country would fail to monitor the situation and I cannot imagine that an independent Scotland would fail to do that. However, the difference is that it would do so with a positive view of the benefits of migration, not the negative view that UKIP is plastering over European election posters and which, regrettably, some in the Conservative Party—I am sure that Mary Scanlon is not one of them—and even some in the Labour Party are taking.

An independent Scotland would take a positive view of the benefits of migration. If our policy is

based on that positive view, people will be treated better and will be happier to come here and contribute their considerable skills and resources.

Mary Scanlon: When I was a lecturer, I always welcomed the input from students from other countries. It was beneficial not only to them but to everyone else in the class.

If someone came to an independent Scotland for four years of study and then wished to go and work in England, would that be a problem, given that there would be two separate immigration policies and two sets of border controls?

Michael Russell: I cannot answer for the authorities in the rest of the UK after independence. It would be their decision, but I hope that they might take an enlightened leaf out of our book and recognise the benefits of having such students. That would be a matter for them; I can answer only for what I believe would take place in an independent Scotland.

The Convener: I assume that, if a student comes from overseas to the UK, completes a degree and wishes to move to another EU country, they would have to apply.

Michael Russell: Yes.

The Convener: The situation would be exactly the same in Mary Scanlon's scenario, would it not?

Michael Russell: I assume that that would be the case, but it is probably important that I answer on the things on which I am here to give evidence, and I am happy to do so.

The Convener: We will move on to questions about fees.

Neil Bibby: Good morning, cabinet secretary. On page 450 of the white paper, question 237 says:

"Would Scotland still charge students from the rest of the UK tuition fees?

Yes."

Question 240 says:

"Will students from parts of the EU other than the rest of the UK pay tuition fees?

Students from other parts of the EU have the same right of access to education as home students ... This will remain the case with independence."

However, article 18 of the Treaty on the Functioning of the European Union says:

"any discrimination on grounds of nationality shall be prohibited."

According to article 18 of that treaty, your policy is discriminatory and illegal, is it not?

Michael Russell: First of all, I offer my congratulations on your recent marriage.

You are, of course, correct in saying that a policy based on nationality would be wrong. The Scottish Government's policy is based on residence and would be if it were the Government of an independent Scotland. Therefore, it is not discriminatory in any regard.

Neil Bibby: It is discriminatory on the ground that you will charge English, Welsh and Northern Irish students but not French, German, Italian, Bulgarian and Romanian students.

Michael Russell: No, that is absolutely not true. You asked me whether European regulation forbade discrimination on grounds of nationality. That is, indeed, true. It does not forbid policies based on residence. I do not know the nationality of anybody who is resident in any place. The Scottish Government's policy is based on residence. If you have read the regulations—I am sure that you have—you will know that the word "nationality" does not occur. We are talking about residence.

Neil Bibby: Who has said that your position in the white paper, under which you would charge fees to English, Welsh and Northern Irish students but not other EU nationals, is legal under EU law?

Michael Russell: The Scottish Government does not propose policies that are illegal and has introduced a policy that is not illegal. If we were the Scottish Government after independence, we would continue to operate a policy—because it would be the continuation of a policy—that was not illegal. That is the Scottish Government's position, which is well argued in the white paper on the basis of objective justification for a situation that is unique within the EU—I am happy to go into the details of that unique situation—and therefore a policy based on residence has, and will have, an objective justification. That is the situation that we are in.

12:15

Neil Bibby: You said that the Scottish Government says that it is legal. The fact that the Scottish Government says that it is legal does not necessarily make it so. Who else backs up the policy in your white paper?

Michael Russell: With the greatest respect, if Mr Bibby says that it is not legal, that also does not make it so.

The reality is that the Scottish Government—is the legitimate Government—is pursuing a policy that is legal. We have some record on this. When I put forward the policy on fees that we currently operate and wish to operate, I seem to remember being told that it would be illegal and would be

challenged here, there and everywhere. However, it has not been challenged; it remains in force and is widely supported.

I am confident that the policy that the white paper espouses, which is the Scottish Government's existing policy, which is firmly based on objective evidence and for which there is objective justification—the unique situation that we are in on this in Europe—is legal and that it can be, and will be, operated should we be the Government of an independent Scotland. Should we not be the Government of an independent Scotland, other parties would need to make a decision. They would have to make up their minds what their policy would be on student fees, but once they had done that I am sure that they could take the matter forward.

Neil Bibby: It is very interesting that you have not mentioned this morning Universities Scotland's legal advice, which you have previously used to defend your position in the white paper.

Michael Russell: Let me mention it, just in case you think that I am avoiding doing so.

Neil Bibby: I am about to mention it.

Michael Russell: Please do.

Neil Bibby: It states:

“RUK students will require to be treated no differently from other EU students”.

Michael Russell: The question is residence, not nationality. The question of residence is what applies here. I think that Pete Downes of Universities Scotland referred to the note as supporting information. I rely upon a policy that I believe is correct. I believe that the objective justification argument is a very strong one and that it can be put forward. Some people in this room have heard me argue elements of that and there are some very strong elements. For example, this country shares a land border with a country that has the highest tuition fees in Europe and some of the highest fees in the world, and fees there may well rise higher if one believes Danny Alexander, who has said that his party can envisage that happening in the next term of a UK Parliament.

The many issues that arise mean that an argument of objective justification is entirely valid. I believe that the policy is necessary for the health of Scottish higher education. Let me not be overconfident but, if this party were to be in government in an independent Scotland, we would pursue this policy, which is perfectly legal and is in the interests of Scotland, Scottish young people and the health of the Scottish economy.

Neil Bibby: It is interesting that, in your answer to my previous question, you said that it is about not nationality but residency. There are obviously

a lot of ifs and buts here. The Universities Scotland legal advice says that

“it may be possible to rely upon a residency requirement”,

but it goes on to say

“as long as that requirement is applied to all students regardless of their nationality”.

That does not back up your position.

Michael Russell: That is exactly what I have said: residence is the issue, not nationality. That is what I said in response to your first question and it is what I am still arguing and will continue to argue. Residence is the issue.

Neil Bibby: The legal advice states:

“as long as that requirement is applied to all students regardless of their nationality”.

It also states:

“RUK students will require to be treated no differently from other EU students”.

That does not back up what is on page 450 of the white paper.

Michael Russell: Yes it does, because it is dependent on where their residence is. That is the current regulation. I am slightly disappointed that you have not seen the regulations, but I am happy to send you them, because a decision about whether someone qualifies for free education is currently based on residence, and that will continue to be the situation after independence, should the people of Scotland vote yes on 18 September and if this party is in power. The decision is based on residence, and the question of residence will apply to all students when it comes to the decision on whether they pay fees. It is a question of residence, not nationality.

Neil Bibby: You are saying quite clearly that, in terms of Universities Scotland's legal advice,

“it may”—

that is a big if—

“be possible to rely upon a residency requirement”.

Are you saying that Universities Scotland's legal advice is right to say:

“as long as that requirement is applied to all students regardless of their nationality”?

Michael Russell: I cannot be—

Neil Bibby: Is that a yes?

Michael Russell: I cannot be any clearer. The answer is that residence is the issue. I do not really understand the point that you are making, given that it is exactly the same point that I have been making since the start of the questioning. The issue is residence, not nationality. When they apply, all students are treated equally on the basis

of their residence. If they live in A, they might qualify for free education, and if they live in B, they will not. Students are treated fairly and equally on the basis of their residence; they are not asked what nationality they are. That is the point.

Neil Bibby: That is interesting.

Liam McArthur: I appreciate that you will not be able to publish or even articulate the legal advice that you have had, but can you at least confirm that you have taken independent legal advice on the proposals in the white paper?

Michael Russell: I do not confirm or deny that. That is the normal Government position; we do not do that. Equally, you can be absolutely sure that I would not make a proposition that I did not believe was fully consistent and fully justifiable legally. This is the proposal that I am making, and the comfort you can take is that I am not proposing anything that I believe is illegal.

Liam McArthur: That is a slightly uncomfortable position.

In an article in *Holyrood* magazine earlier this year, the Welsh Minister for Education and Skills, Huw Lewis, indicated that he

“would not stand idly by while Welsh students are discriminated against”

and suggested that the proposal would be legally challenged. Ján Figel, the former Deputy Prime Minister of Slovakia and former European Commissioner for Education, Training and Culture has said that the proposals in the white paper

“would be illegal. This would be a breach of the treaty”;

I think that those sentiments have been echoed by his successor as commissioner. Although the “We’ll see you in court” approach sounds quite convincing at the moment, is there not growing evidence that this policy would be challenged? You appeared to express some disappointment that earlier policies had not been legally challenged, but it seems increasingly obvious that there would be a legal challenge to this proposal.

Michael Russell: I am afraid that the sources you quote believe, as Mr Bibby clearly believed at the start of his questioning—perhaps he still does—that this policy is based on nationality. It is not—it is based on residence. The defence of objective justification for such a policy is quite clear and well established, and that is where we will be.

I do not want to see anyone in court. I believe that this is the right policy for Scotland. It is working for Scotland now, and we are proposing that it remain unchanged after independence, if we are in government. I also think that the policy is popular, because people realise how successful it is. In all those circumstances, I believe that I am

putting forward a policy that is fully legal, for which there is an argument of objective justification and which will be right for Scotland. Upon that ground I stand content, Mr McArthur.

Liam McArthur: The cabinet secretary can rest assured that the Welsh minister and the current and previous European commissioners will have considered his objective justification proposals in some detail before arriving at their conclusions—and they still conclude that they would be illegal and would be a breach of the treaty.

Michael Russell: No. I am sorry, but their arguments—which I understand, because they are the same as Mr Bibby’s—are based on the assumption that this is about nationality. It is to do with residence, not nationality. A range of good arguments can be made under objective justification, some of which I have mentioned and some of which I will no doubt mention eventually, but they are all there and they are all strong. In such circumstances, I think that this is an entirely justifiable and legal policy that is beneficial to Scotland. What I am arguing is not just the right policy but the legal policy, and I will continue to do that.

Liam McArthur: The same arguments have been prosecuted by the Austrians in relation to Germany. As far as I can tell, no one is convinced that they are unique, and they are still eliciting responses that suggest that they are illegal. That might go some way to explaining why, despite your indication in 2007 that you were going to negotiate some means of securing a charge on rest of EU students because of the cost burden to the Scottish Government, there has been little or no progress on that matter over the past seven years.

Michael Russell: With the greatest respect, I do not think that they are the same arguments. Other cases in Europe have elements of the argument, but I think that the Scottish argument is unique—I have used that word before and I am happy to use it again. It is also uniquely strong. The Government of which your party is a member at Westminster has allowed the imposition of the highest tuition fees in Europe—indeed, they may well go higher. That policy does not seem to have been successful with regard to either education or finance, but we will put that to one side.

There is a unique situation. Those extraordinarily high fees—if we look at the map of charging in Europe, we see that they are vastly higher than anywhere else—are being charged alongside a country that is free. These are countries that study in the same language; there is an interchangeability of qualifications; and there are the issues in relation to the economy, to which I have referred elsewhere. The retention rate in the economy for Scottish graduates is much

higher than the retention rate for graduates who come from elsewhere, and that is another element.

I could spend most of the morning talking about the special circumstances, the unique nature of the argument, the legality of the argument and the fact that the policy is right for Scotland. Given all those circumstances, it is the policy that we intend to pursue if this party is the Government of an independent Scotland because it is to the great benefit of Scottish universities and Scottish higher education—unlike the wrong-headed policy that is being pursued by Mr McArthur's party south of the border.

Colin Beattie: The benefits of free education are self-evident, but free fees in themselves are part of a package, as we follow a different route in Scotland. If I remember correctly, the education maintenance allowance supports about 35,000 students in Scotland. Can you confirm that that would continue after independence?

Michael Russell: That will be a decision for the Government of the day. As far as this Government is concerned, we continued with the allowance when others south of the border, including Labour, were slashing it to pieces and getting rid of it. In those circumstances, I believe strongly in it. Certainly, this Government's view is that the EMA is a very important element, in two ways. It is important for students in the later part of their schooling who would otherwise be disadvantaged; it also plays a role in supporting college students. I therefore believe that it is the right thing to do and I want it to continue.

Mary Scanlon: I have two brief questions. As a relatively new member of the committee, I have a question on residence, to which I hope that I can get an answer. You have focused considerably on residence. How long would someone who hopes to become a student—someone who plans to study in further or higher education in Scotland—have to reside in Scotland in order to qualify for free further or higher education?

Michael Russell: I think that the present rule is three years, but I will send you the current regulations, which will give you all the details. It is a complex set of regulations. I get a lot of correspondence from MSPs—some of whom are sitting at this table—about individuals who are involved in the process. I hope that we can simplify the regulations over time, but all the information is in the regulations that I will send you and I am happy to address the detail of those personally with you.

Mary Scanlon: There has been a lot of focus on residence today. To follow on from Neil Bibby's questions, I was aware that the rule was three years but would there be any plans to change the

qualifying years of residence in order for students to be eligible for free further or higher education should we have an independent Scotland?

Michael Russell: Again, that would be an issue for the Government of the day. I have no such proposals at present, but the Government of the day could change that view. It is not my view that the rule needs to be changed, but I will send you all the regulations. If you would like a private or a public discussion about them, I am happy to have it.

Mary Scanlon: There has been much focus on residency, but it is quite clear that someone has to be here for three years before they can qualify for free further or higher education. That is interesting, and I thought that some of the answers to Neil Bibby's questions were perhaps not entirely clear.

The question about plans to change the qualifying years was a supplementary to my first one, so I have another question—I am sorry about that. My second question is about objective justification. Am I right in saying that it is for university principals, university boards and university management to use their discretion to decide on how many fee-paying rest-of-UK students will study at universities in Scotland? As part of the same question, is there a precedent in the European Union for objective justification? You seem confident that charging English, Welsh and Northern Irish students will be allowed.

The third part of my question is—

12:30

The Convener: I think that that is five questions, Mary.

Mary Scanlon: Och, well, keep counting. It is all part of the same question about objective justification. This part is about the time period. We were told that there was legal advice about joining the EU, but that did not exist. On the Health and Sport Committee, we were told that there was legal advice that a minimum unit price for alcohol was completely acceptable in the European Union and, three years down the line, we are no closer to introducing that minimum price.

My question is about the time period that is required for the legal necessities to allow us to continue charging English, Welsh and Northern Irish students; a precedent; and clarifying whether universities have discretion about how many fee-paying RUK students they take on.

Michael Russell: To take your last point first, universities have that discretion. They are autonomous institutions. However, they do not have discretion in two areas: they cannot impinge upon the number of students who are funded by the Scottish Government—that is absolute; no

place can be swapped for another—and, equally, they must deliver overall quality, so they cannot milk the system. Universities have a responsible view of that. That is what they operate and I am sure that none of them would want to do anything differently.

On the timescale, in so far as I understand the issue that you are asking about, any transitional timescale would have to be set with the universities. However, as we envisage that there would be no change to the arrangement if the rest of the UK continued with its present policy, I do not see a transitional issue.

Mary Scanlon: However, if somebody challenged the objective justification—which is likely—it would have to go through the European courts.

Michael Russell: I will not get involved in speculation about legal action that does not exist. The Government is making a proposal that it believes strongly is well founded and legal. I will not be involved in speculation about challenges to that policy. We have a policy that we believe is right, which works and is legal, and we will continue to have that policy.

Mary Scanlon: The third point was about whether there was a precedent. That has not been answered.

Michael Russell: You are talking about a precedent for legal cases and I will not discuss the possibility of a legal case. Mr McArthur raised the so-called Bressol case in relation to Austria and Germany. However, I believe that the Scottish case is uniquely strong and that the objective justification will lean upon a range of issues that have not been considered in that case. Therefore, the Scottish case stands strongly.

I repeat that we believe strongly that the policy is correct. It is right for Scotland, Scottish universities and Scottish young people. It provides equality of opportunity. Education should be based on the ability to learn, not the ability to pay. The only reason that we are having this discussion is that, south of the border, the universities have the highest fees in Europe and they may well go very much higher.

In all those circumstances, if we are the Government of an independent Scotland, we intend to pursue the policy. If we are not and, for example, your party is, you might come to a different view.

Joan McAlpine: The Labour Party in England has recently talked about continuing fees—Ed Miliband mentioned fees of £6,000 a year. What would your concerns be about the continuation of free higher education in Scotland in the unlikely event that Scots vote no?

Michael Russell: There is a constant pressure to conform to what is meant to be a norm elsewhere. However, we should understand how abnormal the situation is south of the border. I am happy to provide the committee with an interesting map of charging for higher education throughout Europe. By far the highest fees exist south of the border. I think that the principal of Oxford talked about fees going up to £16,000, which is absurd, to be frank.

There was an interesting piece in the *London Review of Books* towards the end of last year about the real intention of the policy being one of the privatisation of higher education, which can be profitable for private institutions.

In all those ways, there would be pressure upon us, which would continue to mount and, given the control of the budget that is exercised from south of the border, might end up being irresistible, particularly if somebody other than the present Government is in power.

The best guarantor of free education is independence and the enshrining of the right to free education in a written Scottish constitution, which, as I have previously told the committee, I am in favour of. A real problem is emerging south of the border and we need to do our very best to ensure that we do not get mired in it ourselves.

Liam McArthur: Much of our attention has for understandable reasons focused on fees, but Colin Beattie was right to highlight the wider aspects of student support.

The Convener: I am sorry, Liam, but I believe that Jayne Baxter has another question on fees.

Liam McArthur: That is fine, convener.

Jayne Baxter: Even though tuition is free here, the drop-out rates in Scottish universities are a matter of concern. What other factors might be at play in the fact that 9 per cent of entrants do not complete their course?

Michael Russell: That is a very good question. A number of factors are at play and, of course, I should point out that drop-out rates are also a concern in the college sector. That sector has shown some improvement, particularly in the past two years, by putting a strong focus on the issue and providing assistance and support in the early stages to students, who are often from backgrounds where they have not been used to studying, to get into the way of it.

The universities have more to do, but I have been impressed by the University of Glasgow, which has reduced some of the drop-out rates, particularly in very intensive courses, by doing a lot of work with the students before they come to university. You are right to draw attention to the issue, because constant help and support is

required to deal with it. Widening access should not mean increasing drop-out rates, as has sometimes seemed to be the case, and we must focus on ensuring that that does not happen.

I concur with your point. There are many things in higher and further education that we need to continue to work on, irrespective of the outcome of the referendum.

The Convener: Mr McArthur, I would appreciate it if you could be brief.

Liam McArthur: On the issue of wider student support and, indeed, widening access, I know that the cabinet secretary will celebrate the fact that the number of 18-year-olds from disadvantaged backgrounds going to universities south of the border has increased from 12.7 per cent in 2008 to almost 17 per cent. However, I would welcome his observations on comments made by Lucy Hunter Blackburn, the former head of education in the Scottish Government, who has said that with the increasing move from grants to loans in Scotland,

“In Scotland, uniquely in the UK, graduates who started from poorer backgrounds are now expected to leave university with a higher debt, and therefore face a higher de facto tax on their future earnings”.

Can you provide any clarification on the portability of student support? At the moment, funds raised from the UK tax base are retained in the UK, and if Scotland were to go down the route of independence it could have a very real bearing on student support for students from England, Wales and Northern Ireland who might be looking to study in Scotland.

Michael Russell: I want to make two points about the latest analysis that has been provided by Lucy Hunter Blackburn, who seems to return to this issue again and again. First of all, it makes a number of very broad assumptions. For example, it assumes that the accrual of debt loan uptake in 2014-15 will be the maximum of each individual Scottish student's eligibility, which is not normally the case.

More seriously, the analysis fails to properly recognise the existence of free tuition. That is a very considerable issue, because it saves all Scottish-domiciled students having to pay sums of up to £9,000 per annum, unlike their counterparts in England, who must pay. That is a debt burden, and with free tuition there is a real saving that does not become a debt. That needs to be factored in.

I note that, in August 2012, the NUS called this “the best support package in the whole of the UK”,

but Lucy Hunter Blackburn seems to find it difficult to cope with that view. When you take into account the fact that, as part of that package, student fees

are not being borrowed, you suddenly realise that it is

“the best support package in the ... UK”.

You cannot get round that, and I do not know why some people spend so much time trying to do so. It is a fact.

Liam McArthur: And the portability issue?

Michael Russell: The portability issue is easily dealt with. I am quite certain that there are reciprocal and supportive arrangements, as there are in other places, and I am keen that we continue to have the maximum number of students from all over the world studying in Scotland. I believe that we have students from 180 of the world's 196 countries studying in Scotland, and I am keen for that to continue. I am sure that mature, responsible and respectful relationships between the two countries will ensure that that continues to happen. That is my objective.

The Convener: Moving on, there are two areas that I want us to deal with pretty quickly. The first is research. Can you outline the Scottish Government's proposal for research funding post independence? The committee heard evidence on the subject from three eminent sources, and there seemed to be a unanimity of view on the shared pooling of resources with regard to university funding for research. What is the Scottish Government's view on that?

Michael Russell: I can do no better than rely on the excellent publication that I have before me, which is free to all people in Scotland if they choose to have a copy. The paragraph that is towards the bottom of page 203 of the white paper states:

“With independence, we would intend to negotiate with the Westminster Government a fair funding formula for Scotland's contribution”—

to the research councils throughout the UK—

“based on population share but taking reasonable account of the fact that the amount of research funding received by Scottish institutions from the Research Councils may reflect higher or lower levels of funding.”

Our proposal is entirely clear that we should remain with the UK research councils, but on the basis of equity.

The figures are quite interesting, and of course they go up and down depending on the year and the projects that are being funded. The figures for the three years from 2010-11 to 2012-13 show that Scottish universities and research institutes secured approximately 10.6 per cent of research council spend and contributed 9.4 per cent of UK tax receipts. They therefore received a slightly better settlement given their population share—although not massively better, as some have said—but they did that on the basis of merit. There

are very good researchers working in very important areas, and we expect that such merit would continue to shine through.

The Convener: In the evidence that was provided, there seemed to be a unanimity of view that, certainly at present, awards are based entirely on excellence and merit. Can you see any commonsense reason that would prevail post independence for that attitude being dropped suddenly in favour of some other methodology for choosing where research funding should go?

Michael Russell: Research funding is underpinned by the Haldane principle, which is that the decisions should be made by researchers. That principle has served the UK research councils well for more than 100 years. It is applied universally, and should continue to exist.

The Convener: I will take a quick question from Liam McArthur, and then we will move on.

Liam McArthur: What we heard was unanimity not on the fact that that method would continue but on the desirability of its continuing, which is perfectly understandable. We also heard that there was no international precedent for research co-operation or pooling on such a scale. It was suggested that the issue would be subject to negotiation, against the backdrop of there being no precedent.

I do not think that anybody would doubt the excellence of our universities but, by that token, one would almost expect Scottish universities to be securing research funding from other countries at appropriate levels, and we do not see evidence of that.

It is difficult to see how we could, through those negotiations, secure a deal that is as good, if not better, than what we currently get through the research councils at present.

Michael Russell: I have to say that, with regard to international funding, Mr McArthur is not entirely correct. Since 2007, for example, Scottish higher education institutions and research institutes have secured €505 million from the European Union's framework programme 7.

Liam McArthur: That is from within the EU, not from international countries.

Michael Russell: Well, we would be within the EU—my point is made. In reality, we have also secured investment for things such as the Fraunhofer centre for applied photonics—the first Fraunhofer institute in these islands; the European lead factory for the innovative medicines initiative; and the international Max-Planck partnership. Those are very important developments that draw in resource from elsewhere.

With respect, Mr McArthur is also not entirely right about other arrangements, such as the arrangement with Switzerland. Paragraph 7 of the agreement between the UK Arts and Humanities Research Council, the Economic and Social Research Council and the Swiss National Science Foundation states that the parties agree

“to reciprocally open their national research project funding schemes to collaborative proposals involving researchers from the other country”.

There is a growing trend across the world for people to work together. The overwhelming evidence given to the committee and elsewhere is that that is exactly in line with the white paper's ambitions.

12:45

The Convener: We have to move on, but first I will allow very brief questions from Joan McAlpine and George Adam.

Joan McAlpine: Professor Boyle, representing Research Councils UK, gave evidence to the committee a few weeks ago. I pointed out that Scotland punches above its weight with regard to the Treasury's tax take and said that if the UK Government refuses to negotiate after a yes vote, the research councils would lose that considerable amount of money. Professor Boyle stated that it is in our interests to negotiate

“whether there is a yes vote for independence or not”.—
[*Official Report, Education and Culture Committee*, 25 March 2014; c 3892.]

Do you support that view? Do you take encouragement from his comments?

Michael Russell: That is the reaction that I receive when I talk to research council personnel or others throughout these islands. The person in Scotland who is probably best qualified to speak on the matter is Professor Sir Ian Diamond, who used to run the Economic and Social Research Council and who has had a lifelong involvement in research councils. Last September, in a *Scotland on Sunday* article, he said:

“I can't see it's in the interests of anyone in the rest of the UK to want to exclude Scotland, nor is it in the interest of Scotland to be excluded from collaboration.”

That is the position; that is where we are. I hope that the vast majority researchers see that, but if they do not, I am more than willing to enter into dialogue with them to show them how things can only improve. Indeed, a very distinguished group of academics who have formed to support a yes vote are putting that argument forward.

The Convener: I think that the cabinet secretary has answered Mr Adam's question.

George Adam: Yes.

The Convener: We move on to childcare, which is the final issue.

Neil Bibby: The cabinet secretary mentioned the childcare policies in the white paper. What is the total cost of the policy to deliver 1,140 free hours of childcare for all one to five-year-olds?

Michael Russell: You have read the white paper, so you are familiar with what it says. However, let me refresh your memory: in the first budget after independence, we will commit £100 million to extend the provision of 600 hours of childcare a year to nearly half of Scotland's two-year-olds. By the end of the first parliamentary session after independence, those two-year-olds and all three and four-year-olds will be entitled to 1,140 hours a year, which is a very big increase on the 417 free hours that we inherited in 2007, with a further investment of £600 million.

In the longer term, we plan to provide 1,140 hours of childcare a year to all children from age one until they start school—broadly, that is the number of hours that children spend in primary school. In that first parliamentary session, we will spend £700 million. We will then spend time modelling the remainder of the project using the lessons that we learn from international best practice in order to complete the task.

Neil Bibby: You cannot tell me what the total cost of your childcare policies are.

Michael Russell: I have told you that we will spend £700 million on the policy to take to take provision up to 1,140 hours for all three and four-year-olds and half of Scotland's two-year-olds. I have also told you that we would look at how to complete the project in the second session of an independent Parliament, were we elected to form the Government. That is the responsible thing to do, considering that we are talking about the next phase starting in 2020. If we formed the Government, we would spend our time making sure that that was done in a way that would finish the job most effectively and efficiently.

Neil Bibby: The responsible thing would have been to cost your policies in the white paper, but you did not do that, and you have not told us the total costs of your childcare policies.

Michael Russell: I will not comment on the irony of being advised by a Labour member to cost my policies. I simply say that the responsible thing is to get on and do it. We have shown our bona fides on the policy. We have increased childcare provision significantly during our terms in government, and we are about to do so again in a very significant way with the collaboration and help of Willie Rennie and the Liberal Democrats. We will take the policy forward. I have outlined the next stage after independence, should the people of Scotland vote yes. The policy was inspired by

the late Ailsa McKay, who was passionate about it. It is a policy that we all believe will be transformational and which has been costed for the next parliamentary session, so that we can continue to roll it out. The policy is pretty much worthy of support across the chamber, which I hope we will get.

Neil Bibby: Given that you lecture Opposition parties on costing their policies, you might want to cost your own.

The Scottish Parliament information centre has estimated that the total cost of your childcare policy could be £1.2 billion, or even higher at £1.5 billion. How will the policy be paid for? How will you pay—

Michael Russell: Sorry, but where did you get the figure of £1.5 billion from? The SPICe paper says—

Neil Bibby: It says £1.2 billion, but it could be as high as £1.5 billion.

Michael Russell: You have mentioned £1.5 billion. Where did you get that figure from?

Neil Bibby: The SPICe paper says that the cost could be as high as £1.5 billion.

Michael Russell: The SPICe estimate is £1.2 billion—it is in paragraph 4. As far as that is concerned, a SPICe estimate is a SPICe estimate.

We have indicated that childcare will be paid for out of taxation. That is the right way to pay for childcare. We have indicated that we will start the process by ensuring that we have some money from other things—for example, we might not waste money on weapons of mass destruction. I would have hoped that that might have the support of people such as you, Mr Bibby. We will not waste that money and we will get our childcare policy started, and then we will continue to grow it by taking the tax revenue that comes from increased participation in the workforce, particularly increased female participation, which we need.

That could not be done under the present constitutional arrangements, because the money that came from such an expansion of the workforce would go straight to Westminster to pay for weapons of mass destruction. In the circumstances, I prefer bairns to bombs. We will get the childcare policy started, pay for it out of taxation and continue to build it. I cannot see why you would disagree with that.

Neil Bibby: I am asking simple questions. I am asking how you will pay for your policy—£1.2 billion is a lot of money—and you say that it will be paid for out of taxation. You also say that taxation will not increase. In fact, you propose tax cuts for big business, a reduction in air passenger duty

and so on. How will you pay for a £1.2 billion policy? What will be cut to pay for that?

Michael Russell: By definition, nothing will be cut, because we will get the tax. I am sorry that you do not understand that. Let me see whether I can put it simply. Presently, we have a workforce that pays its tax to Westminster. We get back a bit of that, which is decided by somebody else using an arcane formula. Any normal country, such as the other 196 countries in the world, raises taxation and makes decisions about how to spend it. Scotland will become, on independence, a normal country. It will raise that money and it will make decisions about how to spend it.

One of the priorities that we have set is not to have nuclear weapons and the Trident missile system, and there are other things that we do not want. What we will have is a transformational childcare system. We have shown in our white paper the moneys that will be required in the first period, where they will come from and how they will be spent. We have said that any additional moneys that will be required in the second period will be estimated and added in order to complete the task.

I would have hoped that you would want to support us in doing that. Let us assume that you are either in opposition or in government in an independent Scotland; one way or the other, I would have hoped that you would want to make that transformation. You will have a choice of priorities. Will your priority be to spend the money on weapons of mass destruction, or will it be to kick-start the process of making sure that we have transformational childcare?

A transformational childcare policy does three things. First, it increases the health of the economy because it creates greater participation in it. We have shown that we can do a bit of that with devolution, but we can do more of it with independence. Secondly, the policy improves the overall welfare and nurturing of children, which we should all be concerned with. Thirdly, the policy has a long-term effect on the improvement of educational standards, which is very interesting. Some of the Organisation for Economic Co-operation and Development's material on PISA, for example, shows that educational attainment can be increased as a result of extended participation in childcare.

That is a beneficial group of things that will come out of our childcare policy, which will be kick-started with some of the savings that we will get as a benefit of independence. I think that that is very clear.

Neil Bibby: Can you just confirm that you have not carried out economic modelling of the childcare policy?

Michael Russell: We have estimated how much it will cost, we have looked at how it will be implemented and we are getting on with it. For example, we have allocated money for the next stage, which will roll out this August; we have local authorities working with us, including Labour local authorities, to ensure that it is delivered; we have actually got people being trained—money is going to local authorities for that; and we have capital money going into ensuring that we have the premises for the policy. That is modelling and getting it done, and that is what we will do at the next stage: we will get it done and delivered.

Neil Bibby: Can I ask one last question?

The Convener: Very quickly.

Neil Bibby: You apparently need an additional 104,000 women to gain employment to have an additional £700 million, although you have said that there are question marks over those figures. According to SPICe, only 64,000 economically inactive women have young children, and only 14,000 would like to work. How is the policy going to be self-funding if there are not enough women?

Michael Russell: There are.

Neil Bibby: The additional figure is £700 million and the cost of the policy is £1.2 billion. How will you fund the policy?

Michael Russell: There are more than enough women, as you put it, to deal with that. It is not funded in a—

Neil Bibby: There are not more than enough—there are too few.

Michael Russell: If you will allow me to finish—

The Convener: Let the cabinet secretary answer the question.

Michael Russell: The policy will not be funded in a single year. We will not get a year of women and then a year of no women; women will go on through, and women will have children at different times. Also, some women are economically inactive because they have children who are aged over five. If we restricted ourselves to the cohort that you suggest, we would get a very unnatural view of the policy's potential.

I am curious to know why you are such an enemy of transformational childcare. We have an opportunity to do something good for the people of Scotland and a vision of how to achieve it. We are talking about how to do that, and we are debating lots of detail. It is a tribute to Mr Rennie and the Liberal Democrats that, when they had a vision of how they wanted to change the policy, they came along and argued for that. They wanted to get it done. It seems to me that you do not want to get it done. You are throwing every possible obstacle in

the way, which is a bit strange considering where you are coming from.

Neil Bibby: I am a supporter of the provision of more childcare—

The Convener: Sorry. Hang on—you have had more than enough questions.

Neil Bibby: I am an enemy of people saying anything to get votes in a referendum.

The Convener: Liam McArthur is next.

Liam McArthur: Cabinet secretary, I welcome your acknowledgement of the contribution that Willie Rennie and our party have made on the issue. We welcomed the decision in January and we are ambitious not just to implement it but to go further. Some of the tax receipts that have been earned through the implementation of the policy to provide free childcare for 40 per cent of disadvantaged two-year-olds south of the border may have contributed to the UK research funding council moneys that we benefit from.

In her written evidence to the committee, Jackie Brock from Children in Scotland suggested that

“in countries with systems of high quality universal provision, especially ‘wrap-around care’, these are generally supported by higher levels of taxation.”

That goes back to Neil Bibby’s concerns about how the proposals in the white paper will be paid for. However, she goes on to say:

“Though it can provide huge dividends both socially and financially”—

which is a point to which you rightly referred—

“quality provision of both early learning and childcare cannot be provided on the cheap and this needs to be a dimension to any realistic debate.”

Is there not a danger that, in simply saying that the policy will be self-financing, you are ignoring the evidence from the likes of Sweden and other countries that we would all acknowledge have gone much further than we have gone to date that, as a corollary, a higher level of taxation must be factored in as part of the model?

Michael Russell: Jackie Brock is quite right to make those points. To be entirely fair to her, one should also quote her as saying that the proposals are “really exciting” and “a game changer”. She is very positive about the proposals.

It is right to have a debate about the policy. We have made it absolutely clear how the proposals can be funded and we believe that increasing female participation is a very important part of that. Nevertheless, there will be debates about the policy. The important thing is to get behind it and ensure that it happens. It will be to nobody’s benefit if we spend the entire time saying, “We cannae afford it,” or, “We’ll not be able to do this.”

If we spend our time doing that, it will not happen. We must get behind the policy, and the way in which we can get behind it—this will not be a surprise to you—is by having the tax powers. We could not get anywhere near it without the tax powers. We need to get the full powers of a normal nation to have transformational childcare—that is axiomatic.

Liam McArthur: Jackie Brock is absolutely right to say that it is a significant development from what the committee was told at the back end of last year. However, there has been no acknowledgement that, although it is suggested that the measures will be self-financing through the retention of tax receipts, all the international evidence is that, where countries have gone further, it has entailed higher levels of taxation. That is set against a narrative in the white paper that, when it mentions tax at all, talks about reductions in corporation tax or air passenger duty. Indeed, the Cabinet Secretary for Finance, Employment and Sustainable Growth himself has indicated that there would be no increase in personal taxation after independence under the SNP.

13:00

Michael Russell: I dispute your points. I do not think that all the evidence shows that. It is perfectly possible to envisage the policy being implemented in what will be one of the world’s richest nations. I do not accept the rhetoric that comes from Westminster and is often led by Labour that Scotland is too poor and too wee to do any of the things that we propose. However, it is absolutely true, Mr McArthur, that we cannot even start on them unless we get independence. We have worked very hard to get where we are now but, to have transformational childcare, we need to have the full fiscal powers of a normal nation. There are no ifs and no buts about that. If we want to get transformational childcare, there is the challenge.

Liam McArthur: With respect, we were told pretty much all through last year that we could not step up provision for two-year-olds from more disadvantaged backgrounds without the additional powers of independence, but there was a change in January. We warmly welcome the change and will help to support its implementation, but there is too much of a parallel between what was said last year in that regard and what is now being said about transformational childcare.

Michael Russell: You see, there is the challenge in politics. Mr Swinney bust a gut to try to find the resources to do something that Mr Rennie was pressing him to do, which was the right thing to do. The scale of things is much bigger. However, when we do that, we get

criticised for it. That is not fair. You should support your leader, Mr Rennie, in the work that he is doing in the task force implementing the policy and then support transformational childcare and independence. You would be welcome on board.

Liam McArthur: However, there are inconsistencies between what you said last year and what you say this year.

The Convener: Thank you both very much. Mary Scanlon is next.

Mary Scanlon: I put it on record that I strongly support the increase in childcare, as I did the proposals that were advanced at Westminster. I also put it on record that we have a much better-trained workforce, which is registered with the Scottish Social Services Council. I am delighted to say that all that has happened under devolution. I put that on record just in case you come back and say that I do not support the policy, cabinet secretary. I should also say that someone in my family works in childcare and she is, in fact, paid the minimum wage.

I will ask about the 104,000 additional jobs and focus on the 35,000 additional jobs that are expected in the childcare sector. Many nursery workers are paid the minimum wage. The current personal allowance is more than £10,000 and, if the Conservatives get back into power at Westminster, that will certainly increase in future years. Liam McArthur asked about tax powers and you mentioned that you needed more. I will not do the calculations myself but, with more than 1,000 hours for nursery education, and with the majority of the workers being female and being paid the minimum wage, the majority of the people concerned will not even pay tax. Will you maintain the personal allowance as it is, reduce it to get the tax revenue that you have projected or increase the levels of taxation for the 35,000 childcare workers, many of whom are on the minimum wage, to get the revenue that you have projected from the additional women in the workforce?

I see you shaking your head. Can I please have clarity on the answer, not a party-political broadcast?

Michael Russell: Your premise is wrong in almost every regard. You have put together a clever construction, but it is a house built on sand because no assumption is made that all those 35,000 workers will be paid the minimum wage or that everybody who benefits from the policy will work in childcare. That shows a one-dimensional view of what is taking place.

I accept that Mary Scanlon supports the policy and wants it to happen. If she does not believe that independence is the way to make it happen, I would be interested in hearing her proposals for how it could be funded within the present devolved

settlement. If she cannot produce such proposals, I am afraid that, to be blunt, the rest of it is just trying to create confusion in the policy.

Mary Scanlon: I am not here to answer questions. How many additional jobs in the childcare sector do you anticipate given the increase in nursery education to over 1,000 hours?

Michael Russell: Not all those jobs would necessarily come out of the 104,000. You are equating two sets of figures—

Mary Scanlon: I am only asking a question.

Michael Russell: No, you are equating two sets of figures and trying to bring them together to say, in essence, that the policy does not add up. However, the policy does add up and is entirely clear. It is a transformational policy that would assist women. It might be important to note for the tape that Labour members are laughing at the idea of transformational childcare. That is very sad, because they want to defeat independence rather than improve Scotland.

Neil Bibby: We are laughing at you saying that your policy adds up.

Michael Russell: We have a problem in that we do not have enough women in the labour market, and we are saying that we want to increase the number. One important way of doing that is to have transformational childcare, but transformational childcare would also do other important things. It would increase nurture and caring opportunities and the intellectual capability of children as they go through the education system, and it would save families about £4,600 a year, which would have an economic effect.

The whole thing works together and produces the figures. It is wrong to try to deconstruct it and undermine it by taking a figure from here and a figure from there and saying, "You hivnae worked this out." If Mary Scanlon or anybody else wants to produce a different set of proposals for how to fund it, I am happy to see them.

Mary Scanlon: I am sorry, but I am not deconstructing anything. Maybe I wrote this down wrongly, but I thought that you said that there would be 35,000 additional jobs in the childcare sector.

Michael Russell: It is in the white paper.

Mary Scanlon: I think that what I am asking is reasonable and I hope that I asked it in a reasonable manner. As I said, a member of my family works in the sector. I totally support the sector and I congratulate it on everything that it has done in recent years. When Angela Constance was here, I think that I said that more should be done to support the pre-school sector.

Please do not in any circumstance put on any record that I am deconstructing anything or not supporting childcare as it is. There is nothing about me that suggests that, whatever Westminster or anyone else says, so please do not criticise me on that front.

I fully support your policy, but I want to know whether you would increase—as you can now—the salaries of childcare workers. Would you maintain the level of personal allowance? Would you increase income tax? Others have talked about the tax revenue that you would receive from the measure. As an economist, I want to know where that tax revenue would come from. I do not want to have an argument about Trident or a party-political broadcast. I simply want a reasonable answer—that is all that I am asking for.

Michael Russell: I do not accept the premise of your question. As an economist, you will know that taxation does not simply come from income tax, whatever level it is at—it comes from the full basket of taxes, such as corporation tax and direct taxes, VAT and various duties that are collected. If that is your question, I have to say that it is a simplistic one, and it does not take account of that range of issues.

Mary Scanlon: PAYE comes from earnings.

Michael Russell: On the additional 104,000 women becoming active in the labour market and the 35,000 additional jobs in the childcare sector, which might or might not be an exact subset of the 104,000, we would have to look at that carefully in doing an economic analysis. There might well be displacement and change in the job sector. There is a whole set of assumptions. I am not saying that you do not support childcare but, with the greatest of respect, you are making a set of assumptions about funding and running the policy that are not fair and that require to be rigorously challenged. I am rigorously challenging the assumptions that you make. No doubt, you are an economist and I am not, but I think that your assumptions are wrong.

Mary Scanlon: I am asking questions. However, I am not going to get any answers, so I will finish there.

The Convener: The final question is from George Adam.

George Adam: I am interested in the kind of transformational childcare that independence offers, mainly because in a constituency such as mine there are areas where there has been child poverty for generations—to a degree, we could call that the Westminster dividend. Unlike Mr Bibby, I am not an enemy of transformational childcare. When Mr Bibby talked about air passenger duty, it sounded as though he is an enemy of some of my constituents, given that

many people in Paisley work at Glasgow airport. That will be something interesting to take home with me at the weekend.

The transformational difference provides an opportunity for constituencies such as mine. In some areas of my constituency, third generations of families are in poverty, and they may have drug problems and other problems. After decades of Westminster tinkering at the edges, we need to get children out of that poverty. Is it the case that the type of transformational change that we are talking about can be delivered only with the full powers of independence, and that that is what we are offering everyone in Scotland in September?

Michael Russell: You are absolutely right. We have seen an interesting illustration here this morning. There are people—Mary Scanlon is one of them—who believe that the policy is right and who want it to happen. However, in my view, it is not possible to deliver the policy without full tax powers. Whether or not we agree with the analysis, it is not possible to deliver it without the full powers of a normal Parliament. I have never heard a suggestion for how that could be done, not least because nobody has even said how the initial £100 million could be found, let alone the next £600 million.

Other people just want to demolish the case for independence, and they will attack anything in that case, no matter how ridiculous they sound in the end because they are attacking some of the important things that make us what we are as a nation. They attack the aspirations that we should have as a nation—that has been well illustrated today.

I will join hands with anybody who wants to achieve the policy, and if somebody can show me how we can achieve it without the normal powers of a normal nation, I would be interested in that. However, nobody has done so, and they certainly have not done it today.

The Convener: Before we finish, I want to clarify the idea that women exist in only one year. My daughter is economically inactive, because she is 16. I expect her to grow a little older. Will she be eligible for the policy when she gets a little older?

Michael Russell: I expect that, when she becomes economically active, she will show herself in that regard. The point that I was making to Mr Bibby is that we do not have a year of economically inactive women and then a year of economically inactive men. I have to say that that is just a bizarre view of the world.

The Convener: I thank the cabinet secretary for coming.

Subordinate Legislation

Meeting closed at 13:13.

Assigned Colleges (Scotland) Order 2014 (SSI 2014/80)

13:13

The Convener: Our second agenda item is subordinate legislation. If members have no comments on the order, do we agree to make no recommendation to the Parliament on it?

Members *indicated agreement.*

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