



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 29 October 2014

Session 4

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ECONOMY, ENERGY AND TOURISM COMMITTEE
24th Meeting 2014, Session 4

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

Richard Baker (North East Scotland) (Lab)

*Marco Biagi (Edinburgh Central) (SNP)

*Chic Brodie (South Scotland) (SNP)

*Alison Johnstone (Lothian) (Green)

*Mike MacKenzie (Highlands and Islands) (SNP)

*Joan McAlpine (South Scotland) (SNP)

*Margaret McDougall (West Scotland) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Dr Sam Gardner (WWF Scotland)

Jenny Hogan (Scottish Renewables)

Norman Kerr (Energy Action Scotland)

Stewart Maxwell (West Scotland) (SNP) (Committee Substitute)

Ken Neilson (VisitScotland)

Malcolm Roughead OBE (VisitScotland)

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 29 October 2014

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Murdo Fraser): Good morning, ladies and gentlemen. Welcome to the 24th meeting in 2014 of the Economy, Energy and Tourism Committee. I welcome members; I hope that you all had an enjoyable and restful recess. I also welcome our witnesses, whom I will introduce in a moment, and visitors who join us in the gallery. I remind everyone to turn off, or at least to turn to silent, all mobile phones and other electrical devices, please.

We have apologies from Richard Baker and Dennis Robertson. Stewart Maxwell joins us as a substitute.

Stewart Maxwell (West Scotland) (SNP): Can I clarify that I am a substitute for Dennis Robertson, and not for Richard Baker?

The Convener: I think that we could probably have worked that out for ourselves, but thank you for clarifying that.

Agenda item 1 is to ask whether members are content to take in private items 3 and 4.

Members *indicated agreement.*

Draft Budget Scrutiny 2015-16

10:01

The Convener: Agenda item 2 is continuation of our scrutiny of the Scottish Government's 2015-16 draft budget. We have two panels this morning. I welcome our first panel. From VisitScotland we have Malcolm Roughead, its chief executive, and Ken Neilson, who is its director of corporate services. Welcome to you both.

Before we get into questioning, gentlemen, would you like to say anything briefly by way of introduction?

Malcolm Roughead OBE (VisitScotland): Thank you, convener. I will say a few words to bring the committee up to date on the year so far, after which we will get into it in more detail, no doubt.

Everyone would agree that 2014 has been, and continues to be, a fantastic year for Scottish tourism. The Commonwealth games were a tremendous success and a tribute to the volunteers, the organisers and the people of Glasgow. That was followed by an equally impressive Ryder cup at Gleneagles. There is no doubt that Scotland has raised the bar in delivering such major sporting events, which has demonstrated that we have not only the capability and capacity to deliver such events but the credibility to continue to be ambitious and bid for more. Members may have seen recent announcements over the past few weeks on football championships and other sporting events for which Glasgow in particular has put in bids.

The international media coverage that followed—and which has been present throughout the year—has been astonishing. We will bring you the full economic results once they are ready in the spring.

I will give a very quick update on homecoming 2014—I know that we will bring you a full report on it. By the end of September, the homecoming programme of more than 1,000 events throughout the year had had more than 1 million visitors. That is a great tribute to the events organisers and the industry that hosts the visits.

This year—2014—has been the culmination of VisitScotland's work with the industry on our five-year programme that we called the winning years. It is very much the catalyst for the next five to 10 years. We will build on the platform that has been created.

On the budget, which we may go into in more detail, it is worth saying that we are very pleased with the outcome. We have been able to build on

the successes to date and I look forward to outlining how we will do that, in due course.

The Convener: Thank you very much, Mr Roughead. We have about an hour for this session. Even though we have some time, I ask members to keep their questions short and to the point, and if responses could be as brief and to the point that will help us to get through the topics. I remind members that our focus is the Scottish Government's budget, although I am sure that we will stray into other areas.

I will start by picking up on your last point, Mr Roughead. We have had the winning years strategy, which has now come to an end. Looking at the years ahead, are you confident that you can maintain the momentum that has been established? Do you believe that the budget allocations from the Scottish Government are giving you the necessary resource to do that?

Malcolm Roughead: The issue of momentum is oft asked about—and naturally so, given this year's unique nature. Next year, we have a number of world championship events taking place, including the 2015 orienteering world championships and the 2015 Union Cycliste Internationale mountain bike world championships. We also have European events and, for the first time, we will be hosting the Turner prize. That is not all; there are other activities.

On bidding for such events, the gestation period can be up to about eight to 10 years, so a lot of work is under way to make sure that we build on the events' legacies.

Business tourism is similar to events: it is about bidding in advance. I am delighted to say that the business tourism bid fund that we introduced just over two years ago for an outlay of £1 million has generated almost £110 million of conference business over the next five to six years.

Those are strong foundations on which we can build. In addition, the aviation access that we have secured over the past 12 to 18 months allows us to build on that as well, by ensuring that people can get here quickly, easily and conveniently.

The Convener: Are you getting the budget support that you need from the Scottish Government?

Malcolm Roughead: Yes. As a former marketeer, I always want more, but given the circumstances that we are in, the budget is a very good outcome for VisitScotland. There is no homecoming and no Ryder cup next year, so those costs disappear from the budget. The net effect is a £5 million increase, which will allow us to build on the aviation access and the success of the events platform.

The Convener: I will bring in Mike MacKenzie, who I think has a similar line of questioning.

Mike MacKenzie (Highlands and Islands) (SNP): The area that I am keen to explore is not identical, convener. We had quite a bit of discussion with Malcolm prior to, for example, the Commonwealth games, to see whether lessons had been learned from the London Olympics in respect of its having acted as a machine that sucked the tourism benefit out of the rest of the country. VisitScotland made efforts to ensure that that did not happen with the Commonwealth games, the Ryder cup and so on. Is it too soon for analysis or understanding of whether the strategy was successful?

Malcolm Roughead: That is a very good question. That was, indeed, one of the lessons that were learned from the Olympics. In our full report we will highlight where the accommodation spread fell. There are indicative numbers coming through from the Commonwealth games that show how far the ripple effect went. On the Ryder cup—the information is only anecdotal at this stage, but there will be a full report—there is evidence that people pre and post the Ryder cup were going out around the country playing at various golf courses.

An interesting aspect of the major events is that numbers in the Highlands, for example, have varied, which was because of the loss of RockNess, and because Castle Stuart hosted the Scottish open last year but not this year. In and of itself, that means that about 100,000 visitors this year went missing, if you like, from that region.

Mike MacKenzie: The other issue—this is an old theme of mine—is that there is a lot of low-hanging fruit to be picked that sometimes gets missed as we reach for the bigger-looking fruit on the top branches. You talk about exports in your submission. The committee is focusing on that topic this year. It seems to be the case that most of our exports arise from a small number of big businesses and that not much arises from smaller businesses. The Highlands and Islands area that I represent has mainly smaller businesses. In a sense, this question is linked to my previous one. Given that your net budget has increased and that there are not those big-ticket events in the future, is there scope for focusing more on picking some of the low-hanging fruit in the Highlands and Islands, about which I am happy to wax lyrical for the remainder of this meeting, with the convener's indulgence?

Malcolm Roughead: I think that the platform already exists in the form of visitscotland.com. We have 9,000 listings, many of which are in the Highlands. Currently, the website generates 2 million referrals to businesses on its list. However, there is only an 8 per cent conversion of those referrals. Therefore, the issue is not

necessarily about whether we have platforms and reach; rather, it is about how we can upscale people so that they can take advantage of the business that is already there and convert that to their own profit. That is one of the themes that we will be taking forward with our colleagues in the enterprise companies and in the business gateway. That is partly in response to the Federation of Small Businesses' recent report about helping people to take advantage of opportunities in the digital age.

Mike MacKenzie: When I travel across the Highlands and Islands, I am struck by the fact that some areas are good at tourism and capture a huge economic benefit—Orkney springs to mind—but other areas are just not as good at capturing that benefit. Could you allocate resources to sharing the knowledge that has perhaps been hard-won in places such as Orkney, with areas such as Argyll, which are not as able to capture the full economic benefit that is available?

Malcolm Roughead: We already do that. We have an outreach programme that is created and devised by the local areas. We are more than happy to assist. We can even provide workshops and one-to-one sessions with people. The real focus for the year ahead is that this is the year of food and drink. You mentioned Argyll, which has a strong offering in that respect. We have worked closely with food interests and the destination management groups there.

Part of the problem is that we are talking about fairly small groupings, which tend to involve individual owners. We have to ensure that we can get them together at a time that suits them and not when they are busy, during the summer months. You will see us ramping up that activity during the winter months.

Mike MacKenzie: The Highlands and Islands has lots of small businesses. Is there scope for local authorities and councils to apply their corporate muscle to achieving better outcomes, in collaboration with VisitScotland?

Malcolm Roughead: Co-operation, collaboration and joint planning with local authorities have never been as good as they are now—certainly not during my time with VisitScotland. We work closely with all 32 local authorities and have memorandums of understanding with them. The work can involve marketing, information provision, particular topics of interest and so on, and—using the national planning framework—it can concern the type of inward investment that is required for an area. We probably have to find a way of reaching businesses that could prosper but have not had the opportunity to do so.

Ken Neilson (VisitScotland): Another piece of work that we are currently considering with local authorities and enterprise companies is an in-depth look at tourism in various areas—we are currently looking at Argyll, Dundee, Orkney and North Ayrshire—to examine tourism as a growth generator. That work is just commencing. We will be able to report on it as it goes forward.

Mike MacKenzie: I am sure that the committee would be interested to see the results of that work. I certainly would be.

Chic Brodie (South Scotland) (SNP): I congratulate you on the events that have taken place this year. They have been exemplary and are a tribute to all the VisitScotland team and the others who have been involved.

In the budget, there is an additional £5 million for the planned VisitScotland budget. The plan for that money is that it will enable marketing of existing and new domestic and international air routes. How are you going to do that?

10:15

Malcolm Roughead: We work collaboratively with the airlines. A live example is the Qatar service, which has just started from Edinburgh. We sit down with the marketing team for Qatar Airways and identify the inbound markets in which the potential that the airline has identified is greatest and will give us the greatest return on the investment.

That approach is integrated into the marketing campaigns that we would run. This year internationally, the theme for the VisitScotland marketing campaign is “Meet the Scots”. Qatar Airways match funds that activity, so there will be a fairly strong emphasis on it in Australia and Asia.

Other organisations with which we are planning include Etihad Airways, which is due to start services next year. We also work closely with Emirates Airline, EasyJet, Ryanair and United Airlines, which has just started out of Chicago, and we recently announced WestJet services coming in from Canada.

It is about ensuring that the services are sustainable. We do not want one-off hits or services coming in and then disappearing. We look at a joint marketing plan over a period of three to five years and set targets on inbound ratios, yield and capacity.

Chic Brodie: That is very helpful in respect of having a marketing plan. I note from your submission that you work in close partnership with Scottish Enterprise and Highlands and Islands Enterprise. Who does the selling?

Malcolm Roughead: That works on two levels. There is the planning side of it. The aviation team is made up of various organisations, and that—

Chic Brodie: I am sorry to interrupt, but who takes the lead on that? How often do you meet? How do you measure the outcomes of what you have planned?

Malcolm Roughead: We meet very frequently; in fact, we have a meeting coming up next week. We identify the routes that we think would be best suited to Scotland from an inbound tourism and investment perspective. We weight the routes, which allows us to prioritise them. We then identify the airlines that can best meet the requirements.

The major opportunity is at the world routes conference, which recently took place in Las Vegas. The whole team goes out to that with airport representatives, because ultimately the airport will be the deal maker. The airlines will negotiate with Edinburgh airport, Aberdeen airport, Glasgow airport or Prestwick airport. All we can do is offer support for any airport or airline. In a sense, it does not matter to us whether a service comes to Edinburgh, Glasgow or Aberdeen—

Chic Brodie: Or Prestwick.

Malcolm Roughead: Sorry—or Prestwick. We say that it is about Scotland.

Chic Brodie: I managed to get through my two questions without mentioning air passenger duty—the removal of which would, of course, help.

Your ambition is to grow visitor spend by £1 billion by 2020.

Malcolm Roughead: That is in the Scottish Tourism Alliance strategy that came out a couple of years back. That is absolutely right, and we are totally committed to helping it to do that.

Chic Brodie: Does the Scottish Tourism Alliance have a different strategy or the same strategy?

Malcolm Roughead: Our strategies are aligned, but the figure that you picked—

Chic Brodie: Why do we need two bodies to do that?

Malcolm Roughead: One is an industry body and the other one is the non-departmental public body.

Chic Brodie: We have had conversations about numbers before and how we will grow tourism by 50 per cent in five years, or whatever it was. That is a very ambitious programme. There is £166 million a year.

Malcolm Roughead: It is a challenge.

Chic Brodie: Without wishing to put you on the spot, will we achieve that?

Malcolm Roughead: We have a great platform. We are looking at 2020, and it is all about building on that platform.

I accept that the figures over the past five years have been fairly flat by and large. However, I had a look at what is happening with one of our nearest competitors across the water. At its lowest point, it had a 25 per cent fall. We have managed to come through that particular storm in a fairly strong position. That is also borne out by all the various reports that we have seen recently. I refer back to the FSB's report, which noted that the majority of its members are confident and looking for future growth. A report from Barclays discussed the increase in the value of tourism over the coming period. On top of that, Scottish Chambers of Commerce canvassed its members, and it says that there is confidence.

We have a great platform, and we need to take the opportunities. To come back to my earlier point, we can set up the opportunities, but we must convert them, too.

Chic Brodie: That is why I asked the question about who is doing the selling and who is leading that work.

I have one last question on corporate involvement, which I will direct to Mr Neilson. The report refers to the convention bureaux and to local authorities. How engaged are they in supporting the services that you are seeking to provide?

Ken Neilson: That one is probably for Malcolm Roughead, rather than me.

Malcolm Roughead: We work closely with all the city convention bureaux. We also represent areas in which no convention bureaux exist. For example, we have a team based in our Inverness office that covers the Highlands and Islands, and we have worked closely with Perthshire and Fife, and more recently with Dumfries and Galloway and the Borders.

We need to pull that work together. I would like to see an industry body that represents that particular sector, so that there is a cohesive approach. We do what we can, but ultimately it is far better if the industry takes responsibility and is able to determine its own fate. The bureaux are in competition with each other, as a conference will go to only one location.

I think that we punch well above our weight in how well Scotland generally does, but we can still do more. There are a number of game changers, such as the investment that has gone in to the Edinburgh international conference centre, and the Scottish exhibition and conference centre, the

SSE Hydro arena, which takes Glasgow to a new level. Aberdeen is seeking to invest in its infrastructure too, which can only help.

We are beginning to see the fruits of that investment, but it takes time. Much of the work involves building over a number of years.

The Convener: A couple of members want to come in with supplementaries, but I want first to follow up on one point. We were talking about targets—as you know, the committee has in the past taken an interest in the target to grow revenues by 50 per cent by 2015. Is it now time to accept that that is not going to happen?

Malcolm Roughead: We always try to do the best that we can. Ambition is a great thing—why should we not reach for the stars?

The Convener: But it is not going to happen.

Malcolm Roughead: Well, it will not happen by spring 2015.

The Convener: Okay. Good try.

Marco Biagi (Edinburgh Central) (SNP): Going back to the target of £1 billion by 2020, I know that that figure is not necessarily your own, but the fact is that you are here today and the Scottish Tourism Alliance is not. What is the comparable baseline for that?

I have also seen the figure of £11.6 billion in your submission, but that is for the total economic impact. What is the total visitor spend at present?

Malcolm Roughead: At present, it is £4.6 billion.

Marco Biagi: Which equates approximately to a 20 or 25 per cent increase by 2020.

Malcolm Roughead: Over an eight-year period.

Marco Biagi: So that is about 2 or 3 per cent a year, before we even take account of the effect of compounding. Is that figure ambitious enough?

Malcolm Roughead: That is a very good question. Like all such things, it depends on the context in which the target was set. When it was set two years ago, the economic outlook was perhaps not as favourable as it is now.

There is nothing to say that one cannot revise ambitions, but one needs something to aim at. If the figure is overcooked, it becomes unrealistic, and people will not want to go for such a target if they feel that they cannot meet it.

Margaret McDougall (West Scotland) (Lab): I have a supplementary to Chic Brodie's question. You have talked about airports. Coming from Ayrshire, I have a particular interest in Prestwick airport. What talks have you had with the Scottish Government on tourism in relation to Prestwick?

Malcolm Roughead: The talks that we have had have been with Prestwick airport, and they have been about which airlines we can go after and try to bring to Prestwick. As I have said, Prestwick representatives were at the routes conference in Las Vegas; they held a number of conversations with a number of airlines, and those discussions will continue. We will support all the airports.

Margaret McDougall: Mr Neilson mentioned that North Ayrshire will be looked at in the tourism review that is being carried out. Given that Prestwick airport plays a big part in Ayrshire's tourism economy, will you include the role of Prestwick in your talks about North Ayrshire?

Ken Neilson: That conversation has yet to begin, but it will be about the assets that are there. There is potential for Prestwick to be a route in, but principally our work is about getting tourism jobs in the area rather than having a direct route to market, which is what the airport is. A parallel conversation would certainly take place.

Margaret McDougall: Indeed, because the economy obviously benefits from Prestwick airport being there, if it is working properly.

Malcolm Roughead: I wish to make a slight correction. I think that Ken Neilson said that Orkney would be one of the geographical areas that will be looked at; the area in question is, in fact, the Outer Hebrides.

Stewart Maxwell: I have a small supplementary about airlines. You mentioned that one of your priorities is the international conference market. In your submission, you mention business tourism, and you say that you have had a number of successes, including with various routes from North America and the middle and near east. In my experience, business travellers do not like going through hubs. Taking two or three flights instead of a direct flight is not particularly efficient or effective, and it is more expensive. How are you tackling the problem of the lack of scheduled direct airline flights, which have better time slots and so on, to and from Scotland? In particular, how are you addressing that issue in the context of the European market, given the pretty low number of direct flights to and from Europe?

Malcolm Roughead: We have a mixed strategy comprising a point-to-point strategy, which is what you are talking about in the context of Europe, and a hub strategy, which I will dwell on briefly. We must remember that airlines seek profitability and sustainability and need a balance of people going out and people coming in. As it is quite difficult to get direct long-haul flights into Scotland, one might think that the natural thing to do would be to get people to come in through Heathrow, as has been the case in the past. However, Heathrow is, as we

know, at full capacity, so we have had to think of another way of avoiding people having to make two or three flight changes.

What we came up with was an arc from Helsinki all the way down through the Gulf states. We have flights from Doha in Qatar, Dubai and Istanbul that work as aggregators of people; in other words, people come into those cities to get one point-to-point flight. That keeps those flights full and the whole thing running.

In Europe, we very much take a point-to-point approach. We have cast the net across multiple countries and have reached the point at which we are thinking less about new routes and more about increasing capacity and frequency. We have identified one or two gaps that we are working closely with the airports to fill, but our coverage out of Europe is far greater than it has ever been.

Stewart Maxwell: That might or might not be true, relatively speaking, but as far as I am aware, there are no scheduled direct flights out of Scotland to Rome, Madrid or Barcelona. I could go on.

Malcolm Roughead: There are direct flights to Barcelona. Madrid is a good example, as it acts not just as a point-to-point destination but as a hub for South America. You have identified one of the gaps that I was talking about.

Stewart Maxwell: What about Berlin?

Malcolm Roughead: There are plenty of flights with Germanwings and others going to Berlin, but they do not go from all the airports. Perhaps the question here is whether we have equity around the country, and it would be fair to say that we do not. However, as I have said, we are working on trying to complete some of that picture. That is what I mean when I talk about increased capacity and frequency. It is not necessarily about new flights—the flights are there, but they might be going from Edinburgh or Glasgow—but about how we balance that in order to get a spread across the country.

10:30

Stewart Maxwell: I agree with you. I think that most people do not mind going to Glasgow or Edinburgh, but the problem is frequency and timings.

Malcolm Roughead: That is demand driven, which is why marketing activity is so important. We can help to create demand in the market to ensure that we end up with a more amenable timetable. You are right to say that that is an issue.

Alison Johnstone (Lothian) (Green): Good morning. You have said that, because of increased airline routes, it is quicker and easier for

people to get here than ever before. Reports have been produced on this issue in the past; for example, I do not know whether you are aware of the University of Oxford's "Predict and decide" report, which was the result of research on the net tourism deficit that was caused by increased airline travel. Moreover, a Department for Culture, Media and Sport report in 2004—or 10 years ago—spoke of a UK tourism deficit of between £15 billion and £17 billion and very much focused on the fact that, although we were increasing air travel capacity to the benefit of people in the UK, the number of tourists coming into the UK was not the same as the number of people travelling out. The issue was not only numbers but spend, because UK tourists going overseas were spending more than tourists coming into the United Kingdom.

I wonder whether more needs to be done to recapture some of those tourists for the UK and Scottish domestic market. Might that help you to reach your 50 per cent target for domestic tourism? Those figures are fairly substantial, and I am not quite convinced that we will have closed that gap within 10 years. I suppose that business travel might also be reducing that to an extent.

Malcolm Roughead: I am not aware of that report. However, from what you have said, it is clear that a strategic approach is required. If we go willy-nilly after every potential air route, we get into the law of unintended consequences. That is why we do so much pre-planning; it allows us to look at the balance between inbound and outbound travel.

As for visitor expenditure, it is really up to us. If the people are here, we have to give them reasons to spend money. As I keep saying, we want to empty their wallets but leave them with a smile.

The Convener: So it is a form of high-class mugging.

Malcolm Roughead: I defer to your greater knowledge, convener.

I come back to Chic Brodie's point about selling and having the skills to sell, up-sell and cross-sell. We have to be better at that if we are to maximise the benefits.

Alison Johnstone: I appreciate what you say about not going willy-nilly after every route, but has there been any research at Scottish level on what has happened and what is happening at the moment? Would that not be really helpful for VisitScotland?

Malcolm Roughead: A lot of research goes on before we decide what routes to go for and the reasons why we are going for them, and that is then cross-matched with the airlines' own research. We must also not forget that the airlines

are able to track where their customers are coming from and what the demand looks like.

We take cognisance of all the information that is available to us. I do not think that any of the routes that we collectively, as a team, have gone out and secured could be put into the bracket that, as you mentioned, was highlighted in 2004. There is a realisation that if we are going out and bringing in new routes, those routes have to be not only sustainable but beneficial to the economy.

Joan McAlpine (South Scotland) (SNP): In your submission, you discuss working with Transport Scotland. There is—quite rightly—a big emphasis on flights that bring people in from outside, but how much work have you done with Transport Scotland on internal transport links? I represent South Scotland, and I know that Dumfries and Galloway, in particular, does not have very good transport links, which I am sure must affect the number of visitors.

Malcolm Roughead: Our very close working relationship with Transport Scotland on a number of areas has strengthened as a result of the joint working on the Ryder cup and Commonwealth games. In fact, we are about to go into a joint session with Transport Scotland to examine all of those issues.

From my perspective, infrastructure is absolutely one of the key foundations of growing the visitor economy, because people have to be able to get not just into but around the country as quickly and conveniently as possible. We have worked very closely with rail transporters, and we have reported on that area. We had a very good working relationship with First ScotRail, and we have already been in contact with Abellio to see how we can develop things when that new relationship starts. We are very much aware of those issues. Ultimately, Transport Scotland must prioritise its investment, but we will certainly be pushing as hard as we can to ensure that the major arteries into the areas concerned are invested in.

Joan McAlpine: On public transport in particular, would you say that the lack of an electrified train line in Dumfries and Galloway was a barrier to encouraging tourism?

Malcolm Roughead: Yes. I think that Dumfries and Galloway suffers slightly from its geographic location; indeed, people down there often describe it as the forgotten corner, despite its obvious attractions. It is a matter of examining priorities and considering how we address some of those issues both locally and nationally.

The Convener: Marco, did you have another question?

Marco Biagi: Yes.

The Convener: I was not sure whether you had covered everything earlier.

Marco Biagi: No, but Stewart Maxwell did a good job of it.

On the subject of business travel, we have already talked a little bit about routes, and I was interested, Mr Roughead, in what you said in your submission about the conference bid fund. As I represent Edinburgh Central, I have a bit of a constituency interest in that. One thing that was missing was a figure for how much was involved, but I think that I caught you saying that it was £1 million.

Malcolm Roughead: That is the spend so far.

Marco Biagi: What is the total that has been budgeted?

Malcolm Roughead: The figure is about £108 million for the revenue generated.

Marco Biagi: But what is the total that has been budgeted for the fund?

Malcolm Roughead: It is £3 million.

Marco Biagi: Over what period?

Malcolm Roughead: That was for three years, but I suspect that we will end up mainstreaming that activity.

Marco Biagi: That is quite a good performance in terms of the return on the money. What kind of research is being done on that, and does it have the same rigour as the research that was done on the return for the homecoming?

Malcolm Roughead: Absolutely. I am more than happy to share that information with you if you wish to have a look at it.

Marco Biagi: I would be quite interested in seeing it.

How much of the fund does the capital take? You mention

“St Andrews, Stornoway, Inverness and Perth”

in your supplementary submission, and I assume that the Hydro in Glasgow will have caused a bit of a shift across the central belt, but how geographically spread is the fund?

Malcolm Roughead: It is fairly well spread geographically, and we have found that in many cases it is self-selecting. If a conference goes over, say, 3,000 delegates, it tends to default to another location. In many instances, it is a matter of capacity. You will be delighted to know that my colleagues have just come back from IMEX America, having secured a conference for 1,000 delegates in the EICC. We are working across all the cities and regions; it is not a matter of focusing on one in particular.

Interestingly, however, the breakdown of the types of conferences that are being secured shows that a healthy majority of them sit in the life sciences area. The point of business tourism is that we can take Scotland's strengths in certain sectors and apply them to the whole business conferencing market. There is a credibility and a reputational strength, and the two are synergistic.

Marco Biagi: How much work do you do with the likes of Scottish Enterprise? I note from your submission that the key growth sectors are prioritised. Clearly you want people not just to come here and go away again but to make an impact while they are here and form connections, and that would seem to be Scottish Enterprise's speciality. Have you developed that as an area of work?

Malcolm Roughead: Yes. We try to join up the dots so that, when people with a specialism come into whichever area it may be, they are able to go on field trips, look at facilities, meet local experts and—ideally—talk to people here about inward investment. As you have said, that is very much about joint working, particularly with Scottish Development International.

Marco Biagi: Your supplementary submission highlights that

"The Conference Bid Fund was introduced as a direct result of representations from Scottish destinations".

Was there pressure from industry and major exhibitors, too, or were the venues largely pushing that?

Malcolm Roughead: It was a bit of both. Everyone understands the potential that exists and has a vested interest in it. I think that it is healthy that the venues and destinations all want to work together. The trick is to make sure that there is a cohesive, aligned plan and that we are all saying the same thing, because it means that we will be able to shout much louder.

Margaret McDougall: In your supplementary submission, you mention that accessible tourism generates £391 million for the economy but that it is "a largely untapped market". What are you doing to encourage more of that in our tourism industry?

Malcolm Roughead: We are working on a number of levels. For a start, we are working with the industry itself. A lot of investment needs to go into the infrastructure so that we can cater for people with various needs—and frankly, for that to happen, a business case must be built. After all, we are asking people to invest, and they want to see a return on that investment as well.

We also work closely with a number of groups, including groups that work with hearing dogs and the various carers groups that are out there, that give us advice on what types of premises or

facilities are required. We must be cognisant of the different requirements.

Margaret McDougall: I am sorry to interrupt, but how responsive is the industry? How prepared is it to open up and invest in such things?

Malcolm Roughead: As with all things, there are exemplars of best practice and there are those who have perhaps not thought about the opportunities. Over the past 18 months or so, we have tried to work with the industry to highlight those opportunities. A number of people in the industry are passionate about and act as ambassadors for the area.

There is also a lot of work going on in Europe. The Italians are leading on this area, and we are sharing knowledge with them; in fact, we are in close contact with our colleagues in Italy. The Australians have been leading on this for years, and a lot of examples can be taken from Australia, brought back to Scotland and shared with the Scottish industry. There is a growing realisation that accessible tourism is not only a business opportunity but something that we should be facilitating. After all, people should not be excluded from taking a holiday in Scotland because of a particular disability.

10:45

Margaret McDougall: I just wonder whether your partners are as responsive. Are they keen to encourage this type of tourism and are the skills there to provide it?

Malcolm Roughead: You have touched on a number of points, and you are absolutely right to do so. These things cannot happen overnight. We are talking about not only investment and skilling but planning, because planning permission would be required for all of these things. We have to bring all of that together and then move forward at a certain pace.

Actually, we have moved forward quite a lot. We have had the accessibility statements, which were implemented during the Commonwealth games in Glasgow, but that is only a small step. There is a lot more that we still need to do, and this is one of the themes that we will carry forward into next year and beyond. This is not going to be a 12-month exercise.

Margaret McDougall: Okay. Thank you.

The Convener: I have a follow-up question on that point. In a debate on accessible tourism that we had in the Parliament a few weeks ago and in which a number of committee members spoke, a range of members across the chamber commented on accessibility to Waverley station. Previously, people could get down to the concourse and out of the rain by taxi, but that

facility is no longer available and people who have mobility difficulties now have to travel some distance. We also have a scenario in which tourists arriving in Edinburgh are having to queue in the rain to get a taxi whereas previously they were under cover. Has VisitScotland engaged with Network Rail and ScotRail on that?

Malcolm Roughead: Those comments were passed on. This is probably a timely reminder for me to follow up on them.

The Convener: Okay. Thank you.

Chic Brodie: I make no apology for coming back to the issue of airport links, and you will understand in a moment why I am doing so. In that context, I must say that I was surprised by Mr Neilson's answer with regard to Prestwick. Frankly, I would have hoped that VisitScotland would have been much closer to what was going on in the proposed capital and management infrastructure, given your key role in that respect.

Let me ask my Captain Kirk question. Newquay in Cornwall has been targeted for the spaceport, as have some Scottish airports—not just Prestwick, but Stornoway. What engagement have you had on that? I have already asked other organisations the same question, but it will be interesting to find out what links you have and what role you are playing in supporting the space project for Scotland.

Malcolm Roughead: None, at this stage.

Chic Brodie: That is funny—I got the same answer from all the other organisations. In your opinion, should we not have somebody or some group focusing on this?

Malcolm Roughead: Someone asked me about this the other day, actually. I have not seen an awful lot of detail on it. I have heard of the concept and I understand what people are talking about—

Chic Brodie: You do know that a full report has been produced on it.

Malcolm Roughead: Well, I have not seen it, so that is why I am saying—

Chic Brodie: I will send you a copy.

Malcolm Roughead: Thank you. That would be most welcome.

If it is a serious proposition, we have to look at it seriously. I guess that I just need to get myself up to speed. I could talk about reaching for the stars, but—

Chic Brodie: I am somewhat concerned to hear the CEO of VisitScotland using the phrase, "If it is a serious proposition".

Malcolm Roughead: Well, as I have not seen the document, I cannot comment on the content.

Chic Brodie: I know that we are talking about the long term, but surely it is a serious proposition from a tourism point of view.

Malcolm Roughead: I think that it was Mike MacKenzie who talked about low-hanging fruit. We are now talking about plucking a slightly higher-hanging fruit from a particular tree, but we certainly look at all opportunities.

Chic Brodie: Okay. Thank you.

The Convener: Would this be inward tourism from extraterrestrials visiting us or the other way round? [*Laughter.*]

Malcolm Roughead: I am not sure how the visa system works on this one.

Chic Brodie: There will be a whole load of green men in Glasgow and Edinburgh.

The Convener: Unless there is anything else that people want to bring up, I think that we have probably exhausted our questions. I thank both our witnesses for coming along this morning and for their time. We appreciate your input, as ever, and the help that you have given the committee in the budget process.

We will have a short suspension to allow a changeover of witnesses.

10:49

Meeting suspended.

10:54

On resuming—

The Convener: We continue our scrutiny of the Scottish Government's draft budget for 2015-16. On our second panel, we have three familiar faces for the committee—Jenny Hogan, director of policy with Scottish Renewables; Dr Sam Gardner, head of policy at WWF Scotland; and Norman Kerr, director of Energy Action Scotland. Welcome to you all. We have received written submissions from you, so I do not propose to ask you to make opening statements. I am sure that we will tease out the issues in our questioning.

The two broad areas that we want to address are fuel poverty and support for renewables, although I am sure that we will touch on other issues. I remind members to keep their questions as short and to the point as possible. Similarly, it would be helpful if answers were as focused as possible if we are to get through the topics in the time available. I plan to run the session for about an hour or maybe a little longer. I ask members in the first instance to direct their questions to a particular panel member. If one of the panel members wants to add to an answer that

somebody else has given, just catch my eye and I will bring you in as best I can.

I will start with a question for Mr Kerr on fuel poverty. Under the Housing (Scotland) Act 2001, the Scottish Government is under a statutory duty to eradicate fuel poverty by November 2016,

“so far as reasonably practicable”.

In effect, this budget is the last full budget from the Scottish Government before we reach the target date. In your view, is there enough in the budget to allow the target to be met and, if not, what more needs to be done?

Norman Kerr (Energy Action Scotland): The straightforward answer is no. The budget has remained fairly static in the past couple of years. Indeed, over the past seven financial years, the average budget has worked out at about £60 million, which is some way short of the figure that Energy Action Scotland called for in 2006, when it requested £200 million a year. We do not believe that that has been attained. It has perhaps been achieved over the past year or two, but not consistently over the period.

You asked what needs to be done. If I was presenting a budget to my board of trustees, they would ask me whether the budget meets my expectations. If we asked the Scottish Government whether this budget meets its expectations, I believe that the answer would be that it does not really know, because the Government has not done a full cost analysis of what should be spent to eradicate fuel poverty. Energy Action Scotland, WWF and others have come up with varying sums of money, which are all there to be taken apart by colleagues from analytical services, but we have not received that type of detail from the Scottish Government. We have a budget, but we have no idea whether it is fit for purpose.

The Convener: So you think that the Scottish Government is just stabbing in the dark when it comes to the figures that it proposes.

Norman Kerr: The Scottish Government has taken account of our request for £200 million a year and latched on to it to try to deliver against it. However, it has not made an independent assessment of whether the £200 million is sufficient and, if it is not, what actually needs to be delivered.

The Convener: The Scottish Government has said that it will contribute to the £200 million figure and that the balance will come from the energy companies obligation—ECO—scheme. In our budget report last year, we expressed concern about the difficulty with getting accurate information on whether the amount of money that was expected from ECO was actually coming to

Scotland. Are you clearer now than we were last year on what is happening with ECO?

11:00

Norman Kerr: The Department of Energy and Climate Change and the Office of the Gas and Electricity Markets have provided some figures that suggest that Scotland achieved round about 11 per cent of the ECO spend, so it seems that we are punching above our weight. However, the question is what that spend funds. Given the current ECO rules, we are led to believe that the majority of that funding has gone on boiler replacement in houses that are connected to the gas grid, so we are not actually tackling the areas where fuel poverty is highest, which is those houses that are off the gas grid.

It is undoubtedly true that we are spending money. We are spending more ECO than we might otherwise do, but the difficulty is what we are spending it on.

The Convener: Is your view that, although the Scottish Government says that it expects ECO to make up the bulk of the £200 million, that is not happening because the ECO money is being spent on other areas?

Norman Kerr: It will not happen over the next two years either, because of the changes to the energy company obligation. Indeed, over the past few months, the delivery of energy efficiency measures in Scotland has tailed off quite dramatically because of those changes.

The Convener: Dr Gardner, do you want to comment on that?

Dr Sam Gardner (WWF Scotland): I will elaborate on what Norrie Kerr said. I highlight the fact that the Scottish Government has said that ECO will be cut by approximately £50 million in Scotland. I look for the budget to reflect how it responds to that projected cut in funding. Given that there is a high reliance on ECO, I would expect there to be some means to mitigate the impact of that, which is not obvious.

I flag the related fact that the report on proposals and policies projects an increase in emissions savings of 70 per cent from the equivalent line within the budget—it does not automatically read across, but it is the closest to the budget. Therefore, there is a cut in funding from ECO, a projected 70 per cent increase in savings from a line that is supported through that budget and a clear statement from the United Kingdom Committee on Climate Change that the Scottish Government needs to provide greater support on its energy efficiency agenda to achieve the targets. However, as WWF’s and Energy Action Scotland’s evidence suggests, there is a

standstill budget that does not seem to reflect that external context.

The Convener: So the ECO contribution is coming down and the Scottish Government is not making up the difference.

Dr Gardner: Yes.

Mike MacKenzie: I will pick up on the theme that the convener was following.

One of the difficulties is that the fuel poverty target is a moving target because of energy price inflation and the decline in real wages. What do the witnesses feel about that? I have heard from constituents who had interventions that took them out of fuel poverty five or six years ago but who are now back in fuel poverty. Given that moving target, is it realistic for the Scottish Government to undertake a study or analysis such as Norrie Kerr suggested that would not in any case be out of date very quickly?

Norman Kerr: You make a number of good points. However, when we considered initially how we could address fuel poverty, there was an expectation that it would be reliant on housing standards and that, if all houses in Scotland were brought up to a certain standard of energy efficiency, the impact of rising fuel prices or, indeed, lower wages would be mitigated. If we study the house conditions survey data over the past 10 years or so, we see that there has been a gradual increase in the energy efficiency of homes. That is an undeniable truth. Indeed, if it had not been for that, fuel poverty would be significantly higher.

However, the energy efficiency of certain housing groups continues to be exceptionally low. In our view, the best way to mitigate rising fuel prices and potentially falling incomes, as people move in and out of employment, is to insulate homes. We need to set a standard. When Energy Action Scotland set the budget of £200 million back in 2006, we believed that if a home reached a national home energy rating scheme rating of seven, that would have a particular impact. That may be out of date now—the rating might need to be eight—but, in terms of consistency, we are reporting not so much on the NHER but more on energy performance certificates.

I take your point that things can be out of date, but unless you put down a marker and say what your achievement will be, you will have no idea whether things are out of date. I suggest that we have not had the marker from the Scottish Government that says, “We will achieve X level of energy efficiency for whatever percentage of homes in Scotland by a certain time.”

Only now has the Scottish Government brought forward a group to look at energy efficiency

standards in the private rented sector, and legislation on that is unlikely to be passed before 2018. It is then likely that there will be a period of introduction to allow people to bring their homes up to standard. We are significantly far from that.

Things can be out of date, but if we do not set the marker we do not know whether we are achieving it or moving towards it.

Mike MacKenzie: What you have said is very interesting and a meaningful contribution. Do you agree that perhaps the fuel poverty target and the way in which it is expressed do not capture the issue and direct us to how we can better address it? I will elaborate on what I mean by that. The definition of fuel poverty is that 10 per cent of income is spent on fuel. If we drill down into some of the recent studies that have been done on Orkney, Shetland and the Western Isles, we see that the more interesting figures are perhaps those on extreme fuel poverty. Would you say that although the previous approach of picking the low-hanging fruit might have been valid up to a point, perhaps it should give way to an approach that looks at dealing with extreme fuel poverty?

There is a problem with the macro perspective when the numbers are crunched. Would a more targeted approach be more effective, both in reducing the fuel poverty statistics and capturing the carbon saving benefit that Dr Gardner might be just as interested in?

Norman Kerr: There are a number of points in what you said that could probably take up the rest of the morning.

Targeting is exactly what the Scottish Government is trying to do through the home energy efficiency programmes for Scotland—HEEPS. That was based on a recommendation from the Scottish fuel poverty forum, which said that we should move to an area-based approach, in which decisions should be based on need. It encouraged local authorities to come forward with projects for areas in which there was a high level of need, and where work undertaken by the local authority or others showed dense fuel poverty. The money was to be spent in those places.

You could say that that has not been particularly successful. Local authorities have looked at a wider area and said, “There is an area of need here and an area of need there.” They have not got to the stage of asking whether an area is one in which there is deep fuel poverty, or whether they just need to do a lot of housing repairs. We could become a bit more targeted, and the Scottish Government is trying to do that through HEEPS.

We have tried to encourage local authorities, in developing their proposals, to spend the HEEPS money because they need to bring forward

proposals to access that funding. The committee will be aware that the funding is given out in two parts. There is £60 million for HEEPS: in the first part, there is a straight allocation across all local authorities, and in the second part, local authorities are invited to propose projects of specific fuel poverty interest to access the remaining £30 million. In other words, where the demand is greater, more money will be allocated. Interestingly enough, the Western Isles punches well above its weight in that particular area because it can demonstrate need, given the depth of fuel poverty there, and the solutions that it can offer to tackle the issue.

On the question of whether we should focus more on extreme fuel poverty in which people are spending 20 or 30 per cent more, rather than just on fuel poverty, the danger is that we somehow play down the situation of the people who are simply spending 10 per cent while the rest of us—I am speaking collectively—are still spending between 4 and 5 per cent. We risk minimising the impact of fuel poverty.

However, I take the point that targeting perhaps needs to be more effective. That is the direction of travel that the fuel poverty forum has suggested to the Government. The Government has accepted that suggestion, and we need to work with colleagues in local authorities and housing associations to make the work on tackling fuel poverty much more effective than it is just now.

Mike MacKenzie: That could bring us on to a plethora of points. It seems to me that you are suggesting an approach that is more housing based and concerned with treating the house rather than the person. That implies the use of a measure that is different from the person-related fuel poverty measure, which asks whether someone spends more than a certain percentage of their income on fuel.

Are you suggesting that the approach of treating the house is more rational and therefore perhaps more effective? In that sense, is the fuel poverty target that we have talked about for years worth aiming at, or should we consider an approach that is directed at treating the house?

Norman Kerr: The two approaches are not necessarily poles apart. We need housing that people can afford to stay in, and the opposite of fuel poverty is often described as affordable warmth. A number of housing providers have worked out what affordable warmth means and have set targets based on levels of income derived from benefit. They have said, "We want to achieve affordable warmth in this house type for X amount of pounds per week" and they have asked, "What do we need to do to ensure that that is the case? How much insulation do we need to put in?"

What energy efficiency level does the house need to reach?"

The Scottish Government may well need to take that approach by asking, if houses are to be affordable to live in and we are to address fuel poverty, what the measure of affordable warmth should be. The question can be turned on its head.

To go back to the question of what the whole-house approach achieves, it actually achieves carbon savings and tackles demand-side management in terms of energy, energy production and carbon reduction. It achieves a whole range of things, not just affordable warmth.

Mike MacKenzie: Thank you. My final question—

The Convener: I just want to ask Dr Gardner if he has a view on that.

Dr Gardner: It might be best to wait for Mr MacKenzie's question and see whether I can follow on from that.

Mike MacKenzie: My final question is a linking question. We have talked a wee bit about ECO. The Scottish Government's fuel poverty measures—I am generalising here—are designed to complement the UK initiatives. In the past, that seems to have been a sensible approach, but there is an issue with the uncertainty of ECO. First, the programme was stopping, then it was reduced, and now—I am not quite sure—it might be back on again. It seems to be an uncertain environment that is affecting an awful lot of projects on the ground. For instance, some district heating schemes have relied on an ECO top-up, and the pre-planning part of those schemes can extend over a fairly long period. Such schemes are now faced with uncertainty.

11:15

I want to link that issue with renewable energy, because energy market reform seems to have created similar uncertainty. I wonder about the general approach of attempting to be complementary. It is not talked about all that much, but the renewables obligation (Scotland) was taken away; that power was snatched back by Westminster.

How do we get over the general uncertainty? How on earth can we provide coherent, rational support within the budget and over a longer term that will actually be effective in the face of all that uncertainty?

The Convener: Could we have a brief response to that long question?

Norman Kerr: The brief response is that you should not have two thirds of your budget reliant

on ECO, but simply acknowledge that it will not deliver everything. It is not particularly well suited to rural areas, where the best carbon saving—fuel switching from electricity to gas—will not happen, so you should not build a budget that says that two thirds of your money will come from something that you know is unstable. That needs to be reflected in the budget, and as Dr Gardner said, this year's budget should have recognised that failing in ECO and should have been significantly higher. When we set the target, ECO was not around, but it was still about making houses more efficient. We recognise ECO's failings, which it has had from the very start, and the budget should have reflected that. Sadly, it does not.

Mike MacKenzie: Does the green deal suffer from similar shortcomings and failings?

Norman Kerr: The green deal suffers from many, many ailments, the biggest of which is the golden rule, which makes it financially unsuitable for addressing fuel poverty. It is more suited to people who have money and who can provide the initial capital and repay that money over significant periods of time. The green deal was never about addressing fuel poverty; it was simply to encourage those who could take out finance to take it out.

Mike MacKenzie: In the context of—

The Convener: Mike MacKenzie has had a long crack of the whip and a lot of other members want to come in. Dr Gardner has still to answer the earlier question.

Norman Kerr: Would it help, convener, if Mr MacKenzie and I left the room and had our own meeting? [*Laughter.*]

Dr Gardner: To go back to Mr MacKenzie's first point about the shifting target, we would look for a recognition of that in the budget and a change in the funding available through the budget to acknowledge the fact that the external world has changed. As Mr Kerr said, the budget has largely stayed in the region of £60 million per annum for the past seven years, and there have been some significant changes in the wider environment, particularly this year with the cut to ECO. It would therefore be reasonable to expect some measures to mitigate the impact of that reduction in ECO in the budget, which we do not see.

The bigger point about certainty is absolutely critical, not just to the energy efficiency agenda but to the renewable power sector and the renewable heat space, particularly for large infrastructure projects with high capital costs and significant risks, which we should try to bring down. I would like to introduce the idea of looking at the Scottish Government's infrastructure investment plan as the means of attaching greater certainty to

improving the energy efficiency of our housing stock.

In the infrastructure investment plan there is a line that refers to the spending of HEEPS, but unlike other projects, it is described not so much as an infrastructure project but as a budget spending line. There is no conclusion; you do not end up having built a bridge at the end of it, or having improved the housing stock. You end up by having spent the money, so you do not have the confidence and certainty that you are achieving a defined outcome. It would be valuable to explore the role that the Scottish Government's infrastructure investment plan could have in bringing greater certainty to that, given that it is ostensibly an effort on the part of the Scottish Government to improve the public good and to target funds so as to cut carbon emissions and alleviate fuel poverty, so it seems to deserve inclusion in the infrastructure investment plan.

That is equally relevant to the district heating space, which we might come on to talk about later, where there needs to be far greater certainty about the level of ambition with regard to district heating and where the geographical focus for that should be. Once we start to identify that, we will begin to tackle some of the high costs and risks associated with where the infrastructure goes and how it is to be funded.

The Convener: Thanks. A whole lot of members want to come in on fuel poverty so we should try to stick with that first. I know that Jenny Hogan has been sitting there very patiently, but we can come on to talk about the other issues later. Margaret McDougall can go first.

Margaret McDougall: Thank you convener, and good morning panel.

Is it correct to say that the budget as it stands will not help the Government to eradicate fuel poverty by 2016?

Norman Kerr: The straightforward answer is yes.

Margaret McDougall: Mr Gardner and Mr Kerr mentioned HEEPS. The amount of money that is allocated for energy efficiency policy implementation has fallen by 9.3 per cent from the 2014-15 budget, from £10.8 million to £9.8 million. How will that impact on HEEPS, which seeks to offer increasing flexibility for councils and funding?

Norman Kerr: The HEEPS flexibility has brought a number of welcome benefits. There has been a recognition that the energy company obligation will not fund everything that it should fund, so the Scottish Government has helpfully gone back to local authorities to suggest that they can use HEEPS in a slightly different way.

As Margaret McDougall highlighted, there is a slight reduction in that budget. Although no reduction would be welcomed, it is about whether local authorities in particular can use that budget a bit more imaginatively than they have. I am not saying that the reduction will have no impact, but local authorities have been given more leeway in how to conduct the work that they want to do, and that is to the good.

Margaret McDougall: Many local authorities used to have energy efficiency officers, but we have lost some of those, perhaps because of budget cuts. Is that one of the ways in which local authorities could address the issues around eradicating fuel poverty and retrofitting, for example?

Norman Kerr: We have seen local authorities being successful in applying for secondary funding when they retain a strong ethos about delivery of energy efficiency. A group called the energy officers network, which used to be called the Scottish HECA—Home Energy Conservation Act—officers network, meets regularly to discuss matters of energy efficiency.

It is a matter of great regret that when the Home Energy Conservation Act 1995's provisions came to an end, the Scottish Government did not renew the duty on local authorities to continue to deliver good work. Recently Mr MacKenzie and his colleague Mr McArthur wrote to the fuel poverty forum about the work in Orkney and how not having an energy efficiency officer for some years meant that Orkney was really coming from a standing start. I am delighted to say that Orkney now has an energy efficiency officer, but it has gone backwards in that respect. We hope that it will pick that up and move forward, but as I said, the local authorities that have done well in gaining additional Scottish Government and ECO funding have been those that have an energy efficiency officer at the heart of their local housing strategy delivery. It is a very good point.

Margaret McDougall: Other than finance, is that something that local authorities could do to help to eradicate fuel poverty?

Norman Kerr: Yes.

Margaret McDougall: But there is no funding available.

Norman Kerr: No—there is no funding from the Scottish Government for energy efficiency officers, and it is down to individual local authorities to decide whether that is a priority. We believe that it is. When the Home Energy Conservation Act 1995 came to a natural end, it was, I am sad to say, not replaced by something that gave additional duties to local authorities.

Margaret McDougall: Thank you. Perhaps I can come to retrofitting—

The Convener: If you are going to change tack, Margaret, I will bring in Chic Brodie for a quick supplementary on the previous point.

Chic Brodie: As a very quick follow-up, do you have a list of councils that have energy efficiency officers? Moreover, is any information available anywhere about how much HEEPS money was allocated last year to local authorities and how much they actually spent?

Norman Kerr: Officials tell us that all the HEEPS moneys have been allocated, and we should know by the end of the year whether all of it has been spent. Helpfully, carry-over was allowed, which meant that any money that was allocated could be spent by local authorities in the following financial year. As I have said, that was helpful, but only time will tell whether it has been successful. The difficulty is that if a local authority is allowed to spend a financial year's allocation up to September of the following year and then it starts the following year's budget in September, it will always be playing catch-up.

Chic Brodie: It is just a rollover.

Norman Kerr: Nevertheless, the provision allows them to put their budget on a better footing.

As for whether there is a list of all local authority energy efficiency officers, the answer is yes, but the point is not just that some authorities do not have a recognised officer—some do—but where those officers sit in the council and whether they are at a level at which they report to committee or whether they are three or four levels down the tree.

Chic Brodie: Do they have agreed outcomes?

Norman Kerr: No.

Chic Brodie: Thank you.

Margaret McDougall: Where are we with retrofitting? When we first discussed it, it was described as being important in having more energy-efficient houses and reducing fuel poverty, but it now seems to have slipped below the radar.

Norman Kerr: With the move to energy performance certificates, you will see—if you look at the Scottish house condition survey—that houses are gradually moving up the scale, which is to be welcomed. However, although most houses are now in bands C and D, they really need to be in bands A and B. We are moving in the right direction, but it has taken us a significant amount of time to get there.

Back in 1996, the average NHER score was something like 4.1; it is now significantly higher, at 6.8, or something. We are moving in the right

direction, but I should point out that the houses that are pulling the score up are those that are owned by local authorities and housing associations. The houses that are performing poorest are private and private rented sector homes, which make up the majority of homes in Scotland, and the biggest part of that private sector housing comprises homes that people bought under the right to buy. In such cases, even though the mortgage might have been less than the rent they were paying, those people were still unable to maintain and invest in their homes, and that is proving to be a continuing difficulty as we try to provide those households with energy efficiency measures.

Dr Gardner: Perhaps I can put some numbers to what Mr Kerr has been saying. The latest figures that we have been able to lay our hands on suggest that 46 per cent of homes have less than 200mm of loft insulation, a third of homes still need cavity wall insulation and, since 2009, there has been only a 2 per cent change in the provision of solid wall insulation—the figure has been more or less static—and 89 per cent of the properties with that feature do not have that insulation. There is therefore a big job to be done.

I have been looking for an opportunity to show a graph—I know that this does not work well on the record and you may not be able to see it, so I will perhaps submit it as supplementary evidence—that is taken from a Scottish Government presentation. The blue line tells you the emissions from the residential housing sector since 1990 and the red line projects where the RPP emissions reductions will go. We are projected to be on a very different trajectory. That highlights the challenges as a result of not only the figures that I have just read out, but the fact that the UK Committee on Climate Change says that there is a significant job to be done if we are to match the aspirational or the legal ambitions of climate change legislation.

11:30

Margaret McDougall: The private sector is bringing down the efficiency of our housing stock. What incentives could this Government provide to encourage more private sector involvement?

Norman Kerr: Since 1994, we have seen successive Governments try to provide encouragement through the energy company obligation and its forerunners, and through the Government-funded energy assistance package and its forerunners back to 1999.

The private sector has been notoriously difficult to engage. We are at a stage where we have provided all the carrots, so we need to look at legislation to encourage or nudge people in the

private sector to take up the offers. If you hire a car, the car will be roadworthy and it will have what is needed to ensure that you are safe. If you rent a private sector house, there is nothing other than a fire safety certificate that says that that house will not be detrimental to your health. There are no standards on energy efficiency or on provision of heating or insulation in such homes. If we are honest, in many cases, the rent for properties that we believe to be substandard are significantly higher than local authority rents, where the local authority is providing a much higher standard of home.

Margaret McDougall: Perhaps dealing with the issue was a missed opportunity in the recent Housing (Scotland) Act 2013.

Norman Kerr: Yes.

Alison Johnstone: Good morning. I will come at the lack of action from another angle. It is having a massive impact in respect of our inability to meet our climate change targets. For example, Stop Climate Chaos Scotland has emphasised leaky homes as a major problem that we need to address. Heating conditions impact on people's health. Children are living and studying in cold, damp bedrooms. There are potential savings to be made by investing in insulation; there must also be huge job-creation opportunities. Has any work been done to look at the preventative benefits of investing properly in insulation?

It does not make any sense that we are still building substandard, poorly insulated homes and that we have not retrofitted in the way that we need to. Should we look at this as a huge opportunity to create jobs, cut emissions and make bills more affordable for people, given the challenges of low wages and so on that we face?

Dr Gardner: I will take an initial stab at that. Quite a bit of work has been done by any number of different organisations. I will highlight a piece of work by Consumer Focus Scotland, which is perhaps the most recent. CFS highlighted that about 9,000 jobs could be created by 2027 to bring our housing stock up to a fit state; that there would be an initial short-term job boost of 3,500 jobs; that there would be a reduction in gas import costs of about £1 billion; and that there would be an average reduction of fuel bills of £505 in treated households. That is one study.

WWF commissioned Cambridge Econometrics to do a piece of work on the macroeconomic benefits to the UK of delivering on our fourth carbon budget. That included a big piece on the wider benefits of improving our housing stock. The messages are echoed in that work. WWF has done work previously on what the job-creation opportunities would be in getting housing stock up

to C grade by 2020. It estimated that about 10,000 jobs would be created.

I am sure that it is possible to argue about whether the number of jobs that would be created would be 6,000 or 10,000, but there are health benefits to people living in warm homes that are not damp. That includes tackling asthma, as well as potential national health service benefits through the preventative spend agenda. As I said, there are job-creation opportunities. There is also, fundamentally, the incremental reduction of our reliance on gas, as a fossil fuel.

Norman Kerr: In terms of social impacts, Dr Gardner mentioned savings to the NHS. Professor Christine Liddell of the University of Ulster did research a couple of years ago for Save the Children that found that for every £1 that is spent on energy efficiency, there was a further saving of 42 pence to the NHS. In other words, not only were homes being made more energy efficient, but there was less asthma and less of other illnesses that are associated with living in a cold, damp home. Work that was done by, I think, Professor Marmot suggested that about 40 per cent of excess winter deaths in the United Kingdom could be directly attributed to people living in cold, damp homes. We know that such homes have a health impact, but Professor Liddell's work shows that if we invest in energy efficiency, there is a further positive impact in terms of savings for the NHS.

Alison Johnstone: I thank you both for those comprehensive and very useful responses. My final question is to Dr Gardner and is about your number 1 point in the WWF submission, which states that

"improving the energy efficiency of our housing stock should become a national infrastructure priority".

I could not agree more. However, do you think that that is not happening because it will be difficult to unveil a plaque that says that we have addressed fuel poverty in this country? Is it not happening because it is going to take more than one Government term? It definitely should be a national infrastructure priority. Do you think that through educating people about its importance politicians will feel more able to invest properly in it? Should there be an awareness-raising campaign about what needs to be done and why?

Dr Gardner: We outlined in an overview the real and substantial public benefits from tackling the energy efficiency of our housing stock. Those are strong arguments that any Government should get behind and give certainty to the achievement of, whether the benefits are about job creation, reducing imports or improving health. It is a very good question, and one that could be directed to the Scottish Government when it comes before the

committee. Why has the Scottish Government given priority and the right level of ambition to improving our housing stock, but not translated that into a clearly funded package that will give confidence that the improvement will be achieved? We see such certainty being given to other infrastructure projects—a bridge, a road development or whatever.

Alison Johnstone perhaps touched on something relevant when she said that there will be no plaque to unveil once every house in Scotland has been retrofitted. However, that situation would result in better-off households, job creation, better health, and fuel poverty being tackled. It is clearly a public good to give certainty to that agenda, and the infrastructure investment plan is the appropriate place in which to lock it down. I encourage the committee to explore that, if you feel it appropriate, with ministers when they come before the committee.

Alison Johnstone: Okay. Thank you.

Chic Brodie: In terms of improving the housing stock, what do you estimate would be the total cost for eradicating fuel poverty?

Norman Kerr: If you go back to the start of my evidence, you will see that I was calling on the Scottish Government to come up with a figure for that. The figure is unknown, but we can certainly take a stab at it.

Chic Brodie: Have a guess.

Norman Kerr: My guess is that it could be £10 billion. We will have an opportunity when the Scottish house condition survey is released, which will be at the end of November or the beginning of December. The survey will have figures for the level of fuel poverty and for the energy efficiency of the housing stock. It is certainly within the minister's gift to ask the colleagues in analytical services who put the survey together to come up with a figure for how much it would cost to tackle the levels of disrepair and to reach a specified energy efficiency standard for all homes. It is a figure that could be worked out relatively easily by officials. I am suggesting that we have not done that up to now. In terms of my confidence about the figure, I would say that it would be £10 billion, plus or minus 50 per cent.

Chic Brodie: I just hope that it is not plus 50 per cent.

Dr Gardner: A report that we commissioned, which is now three years old, said that the cost would be £7 billion, but things have changed. On the basis of that evidence, Mr Kerr's estimate seems to be accurate.

Stewart Maxwell: I sympathise with much of what has been said about where we would like to spend money.

My question is fairly straightforward. There have been a lot of comments about the cuts from ECO and a lot of calls for the Scottish Government to mitigate the cuts coming from ECO and other UK Government budgets to the Scottish Parliament. We are talking about millions of pounds that would need to be mitigated, if I may use that word. Where do you suggest we take the money from to fill the hole that you want to fill? It would have to come from somewhere.

Norman Kerr: Indeed, it would have to come from somewhere. It is about determining your priorities as politicians. Yesterday, the minister opened the average speed cameras on the A9—I am not sure how much that project cost—and talked about the deaths on the A9 and in other road traffic accidents. In Scotland, there are 2,500 excess winter deaths every year—a significantly higher number than the number of deaths in road traffic accidents—but we have chosen to invest in road safety. That is not a bad thing. We are also building a new Forth crossing. I was at a meeting on the Forth crossing at which someone said that it would have been possible to repair the old Forth road bridge at a much lower cost. Those are two projects. Luckily, you do not have me to decide on your budget.

Stewart Maxwell: I am asking you the question because you have said that we should take money from somewhere else. You have mentioned two projects. I happen to support the use of average speed cameras, which have done a wonderful job on the A77 in my area. They have reduced speed and the number of accidents, and they have therefore reduced the number of fatalities and injuries on that road. However, you are saying that we should not invest in road safety measures or a new bridge over the Forth.

Norman Kerr: I am not saying that we should not invest in them; I am commenting on the level of investment that is going into them. You have to make decisions on which other areas the money comes from. I am not aware of all the budget areas—I can speak only about the budget for energy efficiency. I have no idea what the budgets are for education, social care, roads and infrastructure. You have difficult decisions to make. I am simply making a plea that you consider whether saving lives through energy efficiency is something that you want to invest in.

Stewart Maxwell: I am suggesting to you that anybody who comes to the committee and says that we should spend more money must understand that for a committee to suggest that more money should be spent somewhere it must also suggest where the money should come from. I am asking for your opinion on that.

Norman Kerr: I am not aware of all the budget lines, but I am sure that the committee will have

taken evidence from a range of people on the budget lines that they have. It is your job to listen to our pleas and, if you are to make suggestions, examine those areas.

I have no idea what the budget for the Forth road bridge was. Was it £400 million or more?

The Convener: From memory, I think that it was £1.7 billion.

Norman Kerr: That would have gone some way towards meeting Dr Gardner's £6 billion. That was a budget headline. Unfortunately, that money is now committed and is being spent as we speak.

Stewart Maxwell: So we cannot take it from that project. Also, it is capital spending only.

Norman Kerr: You cannot take it from there. However, I am suggesting that you look at all the other budget headlines and, as politicians, make a decision. I am saying that the £79 million that you have allocated is not enough if you want to eradicate fuel poverty.

Dr Gardner: I echo and reinforce Mr Kerr's message. I also highlight the legal context in which both the fuel poverty targets and the climate change targets sit and the challenge for the Scottish Government to give confidence to a committee such as this and to stakeholders that the budget that it has allocated to the achievement of those targets is adequate.

11:45

We do not have that confidence. In its absence, and given the evidence that we have, we are justified in calling for additional funds. The onus is very much on the Scottish Government either to make the case that the funds that it has committed are sufficient and to set out the evidence on how it will achieve its emissions reduction and fuel poverty targets, or to come forward with additional funds from elsewhere within the Scottish budget in its entirety.

As Mr Kerr said, we do not profess to be experts on the breadth of the Scottish budget and we are not able to identify where additional funds should come from. We can say only that the targets are legally binding and that the Government has to give confidence to everybody that it is doing all that it can to meet them.

The Convener: That is the danger of setting legally binding targets.

If we have dealt with fuel poverty, perhaps we can move on, because Jenny Hogan has been sitting patiently through all that.

Chic Brodie: Sorry, convener, but I have one more question for Mr Kerr on the spending on HEEPS. Mr Kerr said that if councils do not spend

the money, it rolls over. In the whole process—from beginning to end—what are the obstacles? Why are we not moving faster? I have had meetings this week with councils in Ayrshire about benefits being stretched out. Is it just a resource problem or is it a process problem? I do not understand why we cannot get the resources that have been allocated to the front line a bit faster than we are currently doing.

Norman Kerr: I have a couple of points on that. First, I go back to the comments that I made to Margaret McDougall that not all local authorities have an energy efficiency officer who can bring forward plans to deliver on that. Some local authorities are quicker to put in applications than others. Once a council has the allocation of money, the issue is whether it has straightforward procurement processes in place so that it can quickly go out to tender, get a contractor, allocate the money and spend it. There is a range of reasons why the money is not getting out the door as quickly as it might.

Secondly, the Scottish Government has said that it hopes to give the allocations to local authorities for the 2015-16 year by the end of this calendar year, so that the authorities know about it in advance. In previous years, the local authorities have known about it in May or June, and it has then taken time to get processes running. The Scottish Government has tried to bring forward the announcement, so that local authorities are aware of their allocations much earlier.

Chic Brodie: If I told you that I know of a council that did not spend any of its HEEPS money, could you say why it got an allocation, and why it would not be penalised?

Norman Kerr: It would have had to have made a good case to get the HEEPS money. It would have had to demonstrate that it had gone through the process of identifying an area and the works within it. That council would need to be asked why it had not delivered. I do not believe that there are penalties, but, in the allocation of future funding, the Scottish Government might want to be more certain of the actual ability to spend rather than just consider the bid for money.

Joan McAlpine: It is clear that the Scottish Government does not have full powers in the area. We have talked about the diminishment of the ECO scheme, but the Scottish Government does not have any powers over that. The Scottish Parliament information centre briefing mentions that

“Information on private sector ECO investment in Scotland is collected and held by Ofgem and there has been no specific information published on the costs of ECO in Scotland”

by Ofgem. As organisations that are concerned with fuel poverty, have you made a case to the Smith commission, for example, about Scotland getting more powers over energy so that we can have the full gamut of powers to tackle the problem?

Norman Kerr: The Scottish fuel poverty forum, of which I am a member, is in the process of pulling together a submission to the Smith commission. That submission is not yet finalised, so I am afraid that I cannot give you a flavour of what it might or might not suggest.

However, the issue that you talk about is a difficult one, because we are in a Great Britain market and it is hard to see what additional powers the Scottish Government could have that would not have a negative impact on consumers elsewhere.

Dr Gardner: We find ourselves in a similar situation, whereby we are in conversation with organisations such as Scottish Environment LINK and coalitions such as Stop Climate Chaos with regards to our submission, which is not yet complete.

Jenny Hogan (Scottish Renewables): Our position is similar to that of colleagues. However, a few weeks ago, Scottish Renewables produced a paper on the kind of asks that we might be looking for. We are currently reviewing that to decide what to say to the Smith commission. Making Ofgem accountable to the Scottish Parliament is one of the issues that we have been focusing on, and it is included in that paper. Our submission will include something along those lines.

The Convener: If we have covered fuel poverty, we can move on to deal with some of the other issues.

Looking at the Scottish Government's support for renewable energy in the 2015-16 budget, we can see that there is quite a substantial increase in the capital sum that is going into energy, which will support the new community and renewable energy scheme—CARES—local energy challenge fund, and that there has been a reduction in the fossil fuel levy renewable projects line. I ask Jenny Hogan to give us a flavour of Scottish Renewables' view of the Scottish Government's approach.

Jenny Hogan: Broadly speaking, we have welcomed a lot of the investment that has come from the Scottish Government in recent years, and the text—at least—in the draft budget indicates that it appears to be moving forward in similar areas, by investing in innovations in offshore wind and wave and tidal technologies and the CARES fund. We have seen a lot of good investment from the national renewables infrastructure fund in

relation to ports and harbours. We want that approach to continue.

I make a plea for a step change in investment in renewable heating—my position is similar to that of my colleagues, which you heard earlier. We are still very far off our targets on renewable heating and district heating, and the Scottish Government has to focus on making a difference in that area.

My final point is that all of that sits in the context of a UK-wide support scheme, and we welcome the Scottish Government's support in working with the UK Government and, at times, putting pressure on it to get further foresight with regard to targets for renewable energy beyond 2020 and budget lines. For example, the renewable heat incentive is the main driver behind renewable heat technologies, and we need some foresight on a budget for that beyond 2015. Similarly, with regard to the levy control framework for contracts for difference, we need to see what is lying ahead with the budget for that beyond 2021.

I am starting to stray off the subject of the Scottish budget, but these are areas on which we need to be working across the UK. Ultimately, the most important thing in relation to building the Scottish supply chain in renewable energy and exports, which I know has been one of the focuses for this committee, is ensuring that we get the necessary visibility and volume of renewable energy over the years and decades ahead. Fundamentally, the budget lines across the UK need to be set for that, so that we allow the supply chain to invest further down the line. However, on what Scotland specifically can do, I would say that there should be more of the same across the field, but that we need more of a step change on renewable heat.

The Convener: With regard to a step change, the Government has made additional sums available for the district heating loan fund. Do you think that it needs to go further than what is currently being offered?

Jenny Hogan: There has been an increase in the Scottish Government's focus on district heating, which we welcome. However, we face quite a challenge. Currently, about 3 per cent of our heat comes from renewables and we need to get up to 11 per cent by 2020. That is a huge job. At the moment, we need a bit more confidence that the level of investment will continue to increase.

I echo what Sam Gardner said earlier about network infrastructure. There must be a large commitment to help private companies invest in that sector as well.

The Convener: How much of the renewable heat target do you think will be delivered from

district heating schemes as opposed to individual properties investing in renewable heat initiatives?

Jenny Hogan: It depends on what kind of fuel the district heating schemes use. District heating does not necessarily mean renewable energy. We support district heating in general because we see that, even if it does not use renewable fuel initially, it can progress to that further down the line. The infrastructure is very important.

It is hard to put a figure on it but, fundamentally, district heating will be very important, although it will not stretch right across Scotland. There are areas that use particularly high-carbon fuels, and they are unlikely to tap into those schemes. We need a mix of different solutions for renewable heating to meet the target.

Dr Gardner: WWF commissioned an analysis from Element Energy that echoed conclusions from the Committee on Climate Change, DECC and others. It highlighted the point that, although district heating is a real backbone of a future low-carbon heat network, the dominant source of renewable heat will come from air-source or ground-source heat pumps. They will form the bulk of our future electrified heat supply.

That echoes the point that Jenny Hogan made about the importance of having a renewable heat incentive. The current RHI came in late—it started this year or late last year, and there is no commitment at the moment beyond next year. That is no way for companies to establish themselves, develop supply chains, build skills and deploy, or to build confidence in the consumer base that an air-source heat pump is a real and viable means of keeping houses warm. Having long-term certainty is very important.

On district heating, I think that the target is 40,000 homes by 2020 and we are currently at 10,000 homes, so a significant step change is required. Although the increase in funding to the district heating loan fund is welcome, it is important that that is complemented by real, substantive efforts on a regulatory framework that could both protect the consumer through the provision of district heating and incentivise and create a market, giving developers certainty that they will have the means to sell the heat. There is a body of work to be done on that. That will be an important part of reducing the costs that developers experience when trying to get loans to finance such projects. If developers can reduce the risk, they will reduce the costs.

The district heating loan fund could be complemented by a targeted development fund that bridges the gap between the feasibility studies that are always needed and taking projects to investment, which can involve substantial funding.

Our project team in Glasgow at the Wyndford estate, where there are 1,800 homes, required £100,000 to get from the feasibility study to the investment—the money covered the costs of legal negotiations and consultancy. Those are substantial costs that the developer or the partners involved bear.

At the moment, the warm homes fund is providing some support in that area, but it is a £10,000 development fund, as I understand it, and it is targeted at renewable district heating only. We recognise that the infrastructure can and will support combined heat and power in the first instance, with the potential for renewable fuel to be used in time. Combined heat and power projects cannot be funded under that fund, however, so there is a need to consider the extent to which such development is currently being limited but could be opened up through a fund that supports feasibility studies for CHP plants.

I also mention the potential value of a loan guarantee fund or some other means of reducing the costs that form part of the district heating challenge, and I draw attention to the extent to which the Scottish Government could address the issue by establishing something along the lines of a loan guarantee fund for reducing capital costs.

Wherever we look across the areas of northern Europe where district heating has been rolled out, we find that that has been coupled with regulation, and the building blocks of infrastructure have been put in place. It is possible to refinance projects, and the Scottish Government would, in time, get a return on that.

Chic Brodie: I wish to ask Jenny Hogan and Sam Gardner a question about district heating networks.

Before that, I return to the point that was made earlier about spending priorities and the question that Stewart Maxwell asked. I was in London last week when high speed 3 was announced. That will cost about £4 billion and will save 15 minutes on journeys. Given the constraints in the structure that we have, there is a difficulty that we must face in that regard.

With regard to district heating, when I did the exercise—Margaret McDougall will love this—that proved that there was oil and gas in the Clyde, I had discussions with people who had been involved in the coal network, and I looked at where the coal mines are located across Ayrshire and into South Lanarkshire. What work has been done on developing geothermal heating networks?

12:00

Jenny Hogan: I do not have a lot to say on that. There is not an awful lot of work at present, but I

know that some of the universities in Scotland have been doing quite a bit of research in the area. I know that the Scottish Government is looking at it, but I do not have a lot of information on the detail. As far as I am aware, the work is at a very early stage.

Chic Brodie: I am told that there is loads of warm water flowing through the old mines. Areas such as Patna and Dalmellington could benefit from a district heating network by tapping into it.

Jenny Hogan: Absolutely—I agree that there are definitely some opportunities. We recently ran an event with the University of Strathclyde that involved looking at heat from rivers and at some of the innovative technologies that could be used. The area is being looked at, and we need to ensure that we continue to invest in universities and innovation schemes to get those types of projects up and running so we can see some prototypes coming through.

Norman Kerr: I want to make Mr Brodie aware that there is an excellent geothermal project in Shettleston. The reason that it has not been replicated comes down to the money that is made available to carry out feasibility studies and to meet some of the very high capital costs of drilling and so on.

There are some very good examples, and Glasgow, Kilmarnock and places like them are riddled with old coal mines that are flooded with water that can be used. We have the technology and the know-how—we just need to replicate the projects.

The same is true in relation to the point Dr Gardner made about district heating: we have the technology, and it is a matter of replicating the systems. Aberdeen Heat and Power, of which I am a trustee, has just signed its 2,000th customer, but that has taken 10 years. The challenge is finding a way to support the growth and delivery of those projects. There is stuff out there, but we need to give out the financial signals—not necessarily the funding—with regard to long-term viability that investors will need to bring forward private funding.

Dr Gardner: I want to make two points. First, drawing on the submissions that the University of Edinburgh made to the Scottish Government in relation to its draft heat generation policy statement, it is clear that the university has shown with evidence the value of spatial zoning to which geothermal energy lends itself, given that it comes from a particular place. That is a prerequisite for the large-scale development of the district heating infrastructure.

At present, the district heating loan scheme, although it is very welcome, does not lend itself to the strategic growth of an infrastructure that would

allow other networks to connect to it. One cannot put in place oversized infrastructure that would allow for growth, because projects can be funded only to the scale of the work that is currently being done.

There is an important role for the national planning framework and for the Scottish Government's infrastructure investment plan in identifying where district heating can be developed. We now have a heat map of Scotland and an awful lot of detail to allow us to identify where district heating would be an appropriate piece of infrastructure and could reduce the cost of people's bills. Targeting that work would allow people to operate with the confidence that there will be a market in place.

That is the case in Norway and Denmark, which have done things such as developing a new heating app and providing certainty around connection. That has been followed with investment, and in Copenhagen, for example, 98 per cent of people are connected to a district heating network. That might not be right and proper for Edinburgh or Glasgow, but there is nothing to say that there is a technological barrier to the development of such a network. What Scotland is envisaging exists elsewhere in northern Europe, and we ought to be able to mimic it.

Finally, I appreciate that the committee has already mapped out its work programme, but district heating is an area of significant complexity that requires not only regulation but innovative finance methods. We are talking about large infrastructure that will have a long-term impact and which must grow strategically across Scotland if it is not to lock in perverse consequences, and I think that the committee might want to return to the area at a later stage. After all, it is a priority of the Scottish Government. It has a district heating action plan; it will shortly bring out a heat generation statement that will put a lot of priority on district heating; and there are others out there, not least colleagues at Edinburgh university, who have a rich bed of knowledge that I am sure will be of interest to the committee.

Chic Brodie: When I worked in industry and commerce, I remember once going to my managing director and saying, "I think that this is the situation," and being told, "I've got enough thinkers—what I need are doers."

Given the cost of commercial money, which is not high, and given the fact that, despite all the reports and whatever that are being done, this case has been proven, how or where will we find the leadership to attack what is not a problem but an opportunity and to follow through on the funding mechanisms, the organisation and so on? All of you do great jobs in the roles that you are in,

but where is the leadership in this particular area of funding?

I was going to ask a question about marine technology, but I will just say that I know of a company that has developed new submersibles and whose efficiency is huge. How do we get any leadership here? I suppose that we can get foreign money, but is the problem that we have too many organisations in this field?

The Convener: I ask for some fairly brief responses to that question.

Dr Gardner: I will be very brief, convener.

As part of the Scottish Government's draft heat generation policy statement, it commissioned Arup to do some modelling on what would be required to grow Scotland's renewable heat base. The study—which, unfortunately, did not come out during the consultation period but afterwards—looked at two axes of high Government intervention and uptake. It found that the only scenario in which there would be a return on the infrastructure and emissions reductions targets would be achieved is one of high Government intervention and, consequently, high uptake.

As has been reflected in Norway, Denmark, Sweden and Austria, leadership has come from national Government in the first instance through its signalling a priority in a particular area and putting in place a regulatory framework that reduces costs and creates a market in which developers can be confident that they will get a return on what is basically a large piece of buried asset.

Jenny Hogan: I absolutely agree. Mr Brodie briefly mentioned the marine industry; although that industry is still growing and developing, the Scottish Government has shown a lot of leadership in that area. A recent report showed that with every £1 of Government funding the marine industry has leveraged in £6 of private investment.

Ultimately, it is that kind of leadership from Government that needs to be co-ordinated across the whole heat sphere, which as Mr Brodie has rightly pointed out is very complex. A lot of different organisations and sectors are interested in this area, and the three of us represent just a few examples, but we really need Government leadership to pull all of this together.

The Convener: Lastly—and, I hope, fairly briefly: Mike MacKenzie.

Mike MacKenzie: I do not think that there is much chance of my being brief, convener.

Dr Gardner, I am going to make you an offer. I will be very happy to give you an almost-new air-source heat pump free of charge; it is yours for

collection. The story with it is that, in common with a lot of these things, it worked for approximately one day and then could not be made to work again.

I also have a large file in my inbox containing mail from constituents who were early adopters of ground-source heat pumps, wood pellet stoves and so on, all of which are guaranteed under the UK Government's microgeneration certification scheme. You said that confidence was important, but the fact is that that scheme, which consumers take as some form of guarantee, is actually no such thing. It is not worth the paper it is written on.

The problems fall into two categories: first, that the appliances are not fit for purpose, even though they are supposedly guaranteed by the MCS; and secondly, that the installers are not up to the job. Once again, those installers are guaranteed by the UK Government through approval by the MCS, but, once again, that does not seem to be worth much.

Do you agree, therefore, that it is critically important for the UK Government microgeneration certification scheme to be made fit for purpose if we are going to persuade consumers to take up these various technologies, which can help to reduce poverty and help us to meet our carbon targets? In the face of the MCS not being fit for purpose, it is extremely difficult for the Scottish Government to achieve the renewable heat target.

Jenny Hogan: Shall I take that?

Dr Gardner: Go for it. [*Laughter.*]

Jenny Hogan: There have been difficulties with the MCS, and we have been concerned about them. Obviously, we are keen to make the scheme work, because that ensures that the public has confidence in whatever is being installed. However, it is only part of the picture. We are talking about only domestic or business-scale technologies, and perhaps if things such as district heating are included the Scottish Government will be able to provide more leadership. The picture is complex, but I agree with your comments about the MCS.

Dr Gardner: I echo those comments, and I would also suggest that if the MCS is failing in that regard it is also failing the UK, which also has renewable heat targets.

Mike MacKenzie: Indeed.

Dr Gardner: I know that the Energy Saving Trust has analysed the effectiveness of air-source heat pumps in different property types. If we can build an evidence base and advocate improvements to, say, an accreditation scheme or an MCS, it will give greater confidence when these types of technologies are rolled out. That is clearly very important.

Jenny Hogan: As Sam Gardner has suggested, air-source heat pumps have a big future ahead of them. Indeed, according to the National Grid's scenarios, they are likely to be a big part of the sector's growth.

The Scottish Government could be doing more on the planning side of things. The rest of the UK is leading on the provision of air-source heat pumps as a permitted development. Unfortunately, the Scottish Government has not taken the same approach, and I think that we could work a bit harder in that area.

Mike MacKenzie: I absolutely agree with your point about planning.

On the theme of certainty and confidence, Dr Gardner mentioned the domestic renewable heat incentive. I know that the commercial RHI has been in operation for a number of years, but the domestic one was delayed and delayed. I first heard of it 10 years ago, and installers and consumers who were hoping to get the technologies installed and do their bit for their environment might have been sent the wrong market signal, especially when we consider what the UK Government did to solar photovoltaics by reducing the feed-in tariff overnight from 43p to 24p. Indeed, the ink had hardly dried on the paper when the tariff was reduced further to 16p.

As for small-scale hydro, we can see how depression—which I think is one of these new made-up words—can affect the viability of such schemes if or when they get grid access.

The Convener: And your question is?

Mike MacKenzie: Surely if we are to take forward this agenda, we need the UK Government to provide confidence and certainty. Given that the Scottish Government's position is to provide complementary funding, do you have any sympathy for it, given the difficult job that it faces in trying to bring forward these good things that we all agree ought to be brought forward in the face of such uncertainty from the UK Government? Is that not the biggest factor?

Jenny Hogan: That brings me back to one of the three points that I initially made. As we are in a GB market, we need leadership at a UK level. The Scottish Government has a role in working with—and, when necessary, putting pressure on—the UK Government to ensure that we have sight of targets such as a decarbonisation target and, ideally, a renewables target for 2030, as well as sight of the levy control framework and any further work on the hydro depression mechanism, which, as you have rightly pointed out, is being reviewed next year. We will be working hard to ensure that that mechanism becomes fit for purpose because at the moment it is not.

Of course, the RHI is another area that we need sight of beyond 2015. The UK Government definitely needs to work on the matter, and, as I have said, the Scottish Government has a role in working with it and, when necessary, putting pressure on it.

The Convener: I think that we will call it a day there. We have had a good session, and I thank our witnesses for assisting us in our budget scrutiny. We are grateful for your contributions.

We will now move into private session.

12:15

Meeting continued in private until 12:49.

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