SCOTLAND’s ECONOMIC FUTURE POST-2014
SUBMISSION FROM MARIE MACKLIN, THE KLIN GROUP

Introduction
May I firstly thank the Committee for the opportunity of appearing before you on 26 February 2014.

In addition to being CEO of the Klin Group, I am a Board Member of the newly merged Ayrshire College, Board Member of East Ayrshire Council Business Leaders in Schools, Business Patron of the Social Enterprise Centre Stage Music Theatre and a Business Mentor for new start businesses at Entrepreneurial Spark in Glasgow and Ayrshire. In August 2013 I developed and launched in conjunction with the Ayrshire Association of Businesswomen, a ‘Women in Enterprise’ initiative to support female entrepreneurs through my sponsorship, mentoring and assistance in building business networks across a variety of sectors. This association is affiliated to the Association of Scottish Business Women, of which I am also a member and received the Outstanding Contribution to Business Award in August 2013. I believe passionately in Scotland’s heritage and history, which should be utilised in creating new local economies.

The Klin Group is a second-generation family company, distinguished by an inspired and creative approach to business investment and economic regeneration. The company is based in Kilmarnock East Ayrshire and celebrated its 25th anniversary in 2013.

The company’s foundations are in revitalising land, property, investing in challenging and demanding initiatives which bring transformational change to our townscapes and communities. The Klin Group is an ambitious, entrepreneurial adviser, bringing ideas, imagination, knowledge and resources to help businesses and organisations to optimise their potential.

Importance of Construction Industry
Scotland’s construction industry has suffered particularly during the recent UK recession. Every £1 spent on construction results in £2.84 of additional economic output making construction essential to the recovery of any economy, a fact recognised very early in the recession by the Scottish Government.

During his recent visit to Scotland, Bank of England Governor Mark Carney confirmed ‘the recovery that began in Scotland is now taking hold in the rest of the UK’. In my opinion this was fundamentally a result of The Scottish Government’s use of the limited powers at its disposal to accelerate its capital expenditure programme.

The ability of the Government to support construction and regeneration during the recession was clearly limited by the financial restrictions placed on the government and the different economic path chosen by the UK Government. UK Government cuts have reduced Scottish Government capital spending by 26% over five years. As part of a UK wide system without independent financial powers the government was
clearly unable to provide the full support to the economy via investment in construction projects that was required.

In the event of a future recession it is essential that the Scottish Parliament has the powers needed to invest in capital projects on a greater scale.

**Support for small and medium sized business**
Business-people understand the challenges and opportunities of the economy, but most of all we understand the need for control over your own destiny. Scotland needs the full powers of independence to prioritise support for small and medium-sized enterprises by choosing fiscal policies with an economic focus that will create new employment opportunities and equality for all. The opportunity of a fairer and mutually beneficial partnership between Scotland and the rest of the UK is open to us and would be in the best interests of business.

A number of fiscal policy choices would be beneficial to Scotland.

The 20% VAT rate requires review as part of a wider tax review as it continues to hamper consumer spending and accordingly adversely affects a large portion of these businesses.

An independent Scottish Government would also be able to review VAT rates on building repairs. A constructive case has been made for the reduction of VAT on repairs and repeatedly ignored by successive Westminster governments.

The UK Government’s approach to the aggregates levy is both damaging to the construction industry and no longer provides the support to communities that it was originally intended to.

Independence will give us the opportunity to have a Scottish tax system which suits Scotland’s circumstances.

There is no evidence from the approach Westminster have taken to the construction industry, capital investment or taxation that the position of the industry would improve by remaining within the UK.

**Town centres, tourism, history & culture**
Scotland has a strong international brand and our historic environment has been estimated to contribute £2.3 billion to our economy, and supports 60,000 jobs in the tourism and construction industries. Tourism is a vital industry for Scotland, benefiting our towns, cities and rural areas, and is heavily reliant on air connectivity especially for the important city break and business tourism markets. It contributes around £11 billion (2011 figures) to the Scottish economy, as estimated by the Scottish Tourism Alliance.

Regeneration and returning historic areas to use is a key part of the work of the Klin Group.

I welcome the Scottish Government’s Town Centre Action plan November 2013 in response to the report and recommendations from the External Advisory Group.
However with control of Fiscal policy, I believe we could create new regeneration initiatives to drive employment opportunities.

The Irish Living Cities Initiative which supports renovation using fiscal incentives has been shown to be successful in supporting town and city centres. This is not currently available to the Scottish Government. The powers of independence would allow fiscal incentives to be combined with regeneration strategy, planning reform and tourism and cultural initiatives in a way which is not currently possible to rejuvenate town and city centres.

Additional economic benefits supporting tourism and business would be available through the transfer of powers over air passenger duty (APD). A recent study by York Aviation estimated that APD will cost Scotland more than £200 million a year in lost tourism spend by 2016. The proposed 50% reduction and eventual abolition by the Scottish Government in the white paper will almost certainly boost Scotland’s future tourism and improve direct international air routes and reduce the Scottish traveler’s need for connections at other airports.

**Small and medium-sized enterprises**

Of the 343,105 Private Sector Enterprises operating in Scotland as at March 2013, 340,840 (98.3%) are SME’s and they employ 1.1 million people in Scotland. These enterprises are not only a key contributor to the Scottish economy but are a key contributor to property development and construction industry, as both tenant and customer.

Whilst the Scottish Government Small Business Bonus Scheme has been of welcome assistance to these businesses, further additional measures are essential if they are to flourish and reach their full potential. Despite initiatives such as the UK Government’s Funding for Lending, lack of credit finance continues to be an issue. However of greater concern, HM Revenue and Customs continue to impose further burdens on SME’s, with new PAYE requirements causing lost time and money as they have to deal with monthly returns, rather than focusing on their business. Then there is the complex confusing tax system which the sole trader or small business just don’t understand and can ill afford to pay advice on. The opportunity to simplify the tax system could offer real financial benefits to small businesses – reducing the costs of securing advice and meeting tax obligations.

**Entrepreneurship, supporting young talent and supporting women in the workplace.**

Scotland has consistently had a lower number of start-up companies than countries of similar size or than the UK as a whole. Whilst there are considerable efforts underway through organisations like E-Spark and Government projects like Edge to boost entrepreneurship additional support could be made available with independence whilst independence itself – taking responsibility for our own decisions – could create a cultural shift in favour of entrepreneurship by building a more confident nation.

Support is available in other countries through tax incentive or rebate schemes which cannot currently be offered in Scotland. As the UK as a whole is not in the same
position as Scotland there is no incentive for a Westminster government to offer the levels of incentivisation the Scottish economy requires to improve performance.

It is also essential that in the 21st century our economy reflects our society. This is not currently the case. Scotland’s future set out admirable ambitions on increasing the number of women in the workplace by meeting social challenges such as childcare and by taking that greater involvement through to senior levels with proposals to increase the number of women on public and private boards.

There is considerable economic value to be gained from increasing the number of women in the workplace and from increasing the number of women at senior levels. This requires a national commitment and a willingness to take a transformational approach that will be easier to deliver in a country of Scotland’s size where it is easier to bring together business, public sector, politicians and communities.

Marie Macklin
February 2014