Submission to the Smith Commission

by

ScotlandIS

October 2014
Introduction
ScotlandIS welcomes the opportunity to input to the Smith Commission regarding the devolution of further powers to the Scottish Parliament, following the Independence Referendum in September 2014.

As the trade body for the digital technologies industry encompassing software, telecoms, IT services businesses and digital agencies, ScotlandIS represents nearly three hundred businesses, from the Scottish bases of multinational tech companies to start-ups. The vast majority of our members are Scottish based small to medium sized businesses developing and delivering software products and IT services.

The digital technologies industry in Scotland employs over 70,000 people, and generates around £4bn in GVA for the Scottish economy. The industry is experiencing considerable growth and with an increasing number of start-ups, across Scotland but particularly in the urban conurbations.

Our submission
We are aware that a number of other business and community organisations are submitting detailed proposals. As members of SCDI, we believe their submission will reflect many of the wider issues that will impact the business environment. This submission therefore concentrates on four key areas (skills, exports, investment and telecoms) where devolution of further powers would be particularly helpful from the perspective of the digital technologies industry.

Skills
The technology sector is experiencing a well-documented shortage of skilled people.¹ This is mirrored in the wider UK, in Europe and the US. In Scotland the industry has experienced year on year growth in excess of 10% over the last few years.² Access to skilled people is now constraining further growth to the detriment of the economy.

We recognise that full devolution of immigration controls is unlikely at the moment, but a substantial relaxation in visa control for both overseas postgraduate students studying and for highly skilled professionals would have an immediate positive impact on the current skills shortage in Scotland, and this would generate additional GVA.

Exports
Growing the level of exports would have a positive effect on the balance of trade, and also help to spread the business risk faced by companies who are over reliant on any one particular geographic market. We would like to see the development of a stronger proposition to support companies to increase exports.

¹ Reference: ICT & Digital Technologies Skills Investment Plan
² Reference: Scottish Technology Industry Surveys
Increasingly companies across our industry are opening up export markets. Whilst some companies are ‘born global’ others have traditionally sold initially within domestic markets, and encounter a number of barriers to entering export markets.

Measures that would support companies in growing additional exports:

- A devolved Scottish Export Credit Guarantee scheme would be helpful, but minimally we would like to see the current UK wide scheme amended to specifically cover software.
- Devolution of Air Passenger Duty to the Scottish Parliament enabling the reduction of the additional taxes incurred by Scottish business travellers transiting through UK airports en route to overseas destinations.
- Closer working between UKTI and SDI as recommended by the Wilson report.

**Investment**

Growth capital is still in short supply, and whilst Scotland benefits from both an exceptional business angel community and the Co-Investment Fund there is a continuing equity gap for technology businesses looking for next stage capital. The recent Royal Society of Edinburgh report on the Supply of Growth Capital highlighted the need to address this issue.

Devolution of capital gains tax and inheritance tax powers would give the Scottish Government some of the levers to create innovative solutions to meet this need.

**Telecoms**

A number of our members are providers of telecommunication services. In general they consider the telecommunications market to work well within a UK regulatory framework, but there is considerable support for strengthening the role of Ofcom Scotland.

**The wider business environment**

Over the last twelve months we have consulted with our members on a number of occasions. In advance of the referendum some two thirds indicated that they did not see independence as damaging the operating environment for their businesses, but others raised concerns.

The value of a single cohesive market across the UK is widely recognised, with some 80% of our members selling to the rest of the UK. In addition, many members sell into European markets. Continued membership of the European Union is considered to be essential.

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3 Reference: [The Supply of Growth Capital for Emerging High-Potential Companies in Scotland](#)
Contact Details

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