SUBMISSION FROM DOUGLAS A THOMSON

As a former senior executive in the investment management industry in Scotland, I am supplying evidence to support the transfer of control over the Crown Estate assets in Scotland to a body based in Scotland. As has been discussed in other submissions including that of the Scottish Government in June 2011, there is broad cross-party support for the devolution of control over the Crown Estate assets to Scotland with a motion being passed in the Scottish Parliament to this effect on the 2nd June this year. Much of the debate surrounding this issue for obvious reasons focuses on the historic nature of the Crown Estate, its relationship with communities in Scotland and where future revenues should be disbursed. These are entirely justified and understandable issues for debate. However, being driven by emotional and political motivations, many of these arguments fail to address the fundamental opportunity presented through such a transfer of assets and that is to lay the foundations of a sovereign wealth fund with the potential to create and manage wealth for generations to come.

There is little doubt that renewable energy has the potential to transform the economic fortunes of Scotland in the decades ahead. Much has been written on the employment creating potential that renewables or green technologies will present to many parts of Scotland, both rural and urban. Such opportunities however, are not a given and indeed completion will be stiff for vital investment from our northern neighbours in Europe and those further south with exposure to the Atlantic coast. Early indications are that Scotland remains in pole position to attract early stage funding for innovative and potentially revolutionary technological advances in offshore wind, tide and wave developments. One example of this is the MeyGen consortium’s proposal to generate up to 400MW of electricity in the Pentland Firth. This project having a 25 year operating lease from the Crown Estate as its cornerstone.

This involvement of the Crown Estate is of critical importance for the successful exploitation of renewable opportunities in Scotland. Their role is of critical importance in ensuring Scotland retains its current competitive advantages. That Scotland has 25% of Europe’s potential in offshore wind and tidal energy production and 10% of that in wave is already well documented. Scotland has been the centre of offshore energy developments and is likely to remain so given these favourable dynamics. The Crown Estate plays a pivotal role here and is seen as uniquely positioned in comparison to other countries in Europe in that it is a “one stop shop” in gaining access to both Scotland’s foreshore and also for the leasing of the seabed out to 200 nautical miles. In comparison to other countries in Europe who see themselves as developing a significant presence in offshore energy generation, Scotland is seen as being truly open for business with the Crown Estate acting as the sole facilitator in any projects. This avoids the complication and duplication created by the potentially conflicting interests of large numbers of public and private stakeholders who can influence these developments elsewhere in Europe. The committee must be wary of disturbing the status quo in what is clearly a rapidly developing framework for technological developments and innovative methods to attract capital and development finance.
The executive team responsible for the Crown Estate in Scotland is critical to the successful asset transfer to management in Scotland. There has been little discussion of the future management structure of the organisation in Scotland. Clearly the Scottish Government is ill equipped to take on the responsibility for what will effectively be a commercial entity. At the same time the Scottish Futures Fund has no expertise in this area and its remit does not currently include the involvement in areas of expertise of the Crown Estate. The inclusion of the talented team running the Crown Estate portfolio in Scotland should be at the forefront of the committee’s deliberations – a transfer without these key individuals will put Scotland at a distinct competitive disadvantage in renewable developments in Europe.

Much of the political debate over the future of the Crown Estate relates to its involvement, indeed control over access to the foreshore, dredging rights, harbour developments and mooring rights. These are vitally important local issues the length and breadth of Scotland. A simple transfer to Scotland will do little to address these long standing local concerns. Indeed, the fragmentation of the portfolio of assets to satisfy political policy objectives of community empowerment run the risk of near term enthusiasm at local level, but a denial of long term access to professional expertise, investment capital and a long term strategic focus on asset development. Local communities are ill equipped to run and develop these assets in isolation. There does however need to be a demonstrable level of local involvement and accountability over how these assets are managed, with a focus on their sustainable development for the generations ahead.

In conclusion, the transfer of the management of Crown Estate assets in Scotland to Scotland itself is long overdue. The committee must however be alert to the risk of a missed opportunity should the transfer fail to take full advantage of the opportunities in renewable developments. The new entity should be independent of government involvement in the management of its policy objectives. This will require the creation of a new corporate entity governed by an independent board, empowered to raise borrowings and with an enshrined level of local accountability and community involvement.

There is much work to be done. This unique opportunity is truly a once in a lifetime event which has the potential to transform so much of Scotland for generations to come.