ECONOMY, JOBS AND FAIR WORK COMMITTEE

SCOTTISH NATIONAL INVESTMENT BANK

SUBMISSION FROM: Bill Blair, Partner, Bridge Valley Ventures, life sciences VC fund. Personal opinions of Scotland/SNIB gained from 30+ years in international life sciences investment.

1. What are the advantages or otherwise in establishing the Bank as a public limited company?

   Ability to generate own identity so no confusion with activities of SE. This currently occurs with SIB. Most importantly, accountability and clearer audit of success or otherwise. Ability to attract top quality investment managers who might otherwise not be attracted to working in a government/civil service setting.

2. What in your view are the fundamental characteristics of a national investment bank?

   Ability to deploy sufficient capital to markedly change the investment landscape in Scotland’s key industries. Be regarded as an organisation which VCs, angels and companies all want to deal with. Great understanding of the challenges involved in translating science output of universities into the commercial world. Ability to stimulate greater investment from UK, EU and US than is currently the case.

3. Is the level of capitalisation proposed sufficient for the Bank to deliver its desired impact? Please expand.

   The capital required should be dictated by the model which remains unclear to me. If it follows the SIB model, then it will be over-capitalised Capital should not in my view be used for direct investment into companies at least in first five years of operation. Co-investment alongside existing and/or new funds at greater scale than has been the case with SIB alongside direct investment into funds has proved (relatively) successful at EIF and, though early days, at BBB. It is key that a clear investment mandate is developed and adhered to and measured use of capital to achieve bank’s objectives is conducted. The slow uptake of capital to SEGCF is not unsurprising to me as in most cases international investors require a local lead. These are not sufficiently available in Scotland. The bank’s capital should also be used to commit to VC funds which are prepared to establish a presence in Scotland and have the experience and funds to lead and attract international VCs to investment rounds.

4. What is your view on the proposed costs in the set up and day-to-day running of the Bank?

   No comment other than staff budgets must be sufficient to attract high quality personnel out of the private sector. Investment budgets as above- i.e. be dictated by the model and not an arbitrary sum.
5. **What governance arrangements ought to be in place?**

Independent statutory board and investment advisory board. Look at North East Finance model.

6. **How can we ensure the market is ready for the investment opportunities the Bank can offer?**

Translation of university research into high growth companies is poor. The Edinburgh BioQuarter (EBQ) experience should be critically re-examined. It failed as there was no seed capital available to its team. Few of them had any investment experience either. The new BII centre in Copenhagen is an example of how it should be and is well capitalised via the Novo Foundation. A former colleague at EBQ, Giles Dudley, is now one of the key executives there. The angel community needs to be engaged but must realise that greater VC capital, relevant sector expertise and networks are required to encourage the growth of high-quality companies capable of IPO, M&A and/or trade sale. Not invented here attitude needs to adapt. If this does not happen, SNIB could fail and create more companies which are of insufficient scale and value to become leaders in their respective sectors.

7. **What ethical and equalities considerations do you think should inform the Bank’s ethos and decision making?**

No particular comment. Refer to ILPA guidelines for best practice.

8. **It is proposed that the Scottish Government will set the strategic direction of the Bank but the body itself decide on its investment approach. What is your view on this “mission-led” approach?**

Objectives need to be clearly set and take a realistic view of the current landscape in Scotland- 95%+ of existing companies are under-capitalised and translation out of universities is poor. There is no over-night solution and transformation will take time. SNIB needs to be solely responsible for investment decisions and be accountable and clearly subject to analysis of its objectives and outcomes as in the private market.

9. **Is there any other aspect of the Bill you wish to address? Please elaborate.**

Absolutely paramount to the future success of SNIB will be recruitment of highly experienced, well-networked investment executives in appropriate sectors. Scotland needs fresh blood and the objectives of the bank, capital to achieve those objectives (even if less than currently committed) and the ability to establish/encourage VC funds into Scotland on commercial terms is key. More of the same as in the current SIB/angel environment will be unlikely to be successful in transforming our need for growth industries.