



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 20 January 2016

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ECONOMY, ENERGY AND TOURISM COMMITTEE

3rd Meeting 2016, Session 4

CONVENER

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

DEPUTY CONVENER

*Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)

*Patrick Harvie (Glasgow) (Green)

*Johann Lamont (Glasgow Pollok) (Lab)

*Richard Lyle (Central Scotland) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Lewis Macdonald (North East Scotland) (Lab)

*Joan McAlpine (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyd (Scottish Trades Union Congress)

Danny Cusick (Scottish Enterprise)

Fergus Ewing (Minister for Business, Energy and Tourism)

Hugh Finlay (Scottish Power)

Stuart Foubister (Scottish Government)

Councillor Lesley Laird (Fife Council)

Calum MacLean (Skills Development Scotland)

Geoff Owenson (Scottish Government)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 20 January 2016

*[The Convener opened the meeting in private at
09:31]*

09:45

Meeting continued in public.

Decision on Taking Business in Private

The Convener (Murdo Fraser): Good morning and welcome to the third meeting in 2016 of the Economy, Energy and Tourism Committee. I welcome our witnesses and the visitors in the public gallery. I remind everyone to turn off or turn to silent any mobile phones or electronic devices so that they do not interfere with the committee's work.

I have received no apologies this morning, but I have had intimation from both Patrick Harvie and Johann Lamont that they will need to leave briefly during the fourth agenda item to attend to other parliamentary business.

Do members agree to take item 5, on the legislative consent memorandum for the Enterprise Bill, and item 6, which is a discussion on the evidence that we will hear at today's meeting, in private?

Members *indicated agreement.*

Witness Expenses

09:46

The Convener: Are members content to delegate to the convener responsibility for arrangements for the Scottish Parliamentary Corporate Body to pay, under rule 12.4.3, any expenses of witnesses attending forthcoming evidence sessions in relation to our inquiry into social enterprises and employee-owned businesses?

Members *indicated agreement.*

Enterprise Bill

09:46

The Convener: Item 3 is evidence from the Scottish Government on the legislative consent memorandum for the Enterprise Bill, which is United Kingdom legislation. I welcome Fergus Ewing, the Minister for Business, Energy and Tourism, who is joined by Oonagh Gil, the deputy director for enterprise and cities, Geoff Owenson, a senior policy official for finance pay policy, and Stuart Foubister, a divisional solicitor, who are all from the Scottish Government.

Minister, would you like to make some introductory remarks?

The Minister for Business, Energy and Tourism (Fergus Ewing): Thank you, convener. I am grateful for the opportunity to address the committee in respect of the motion that was lodged by the Deputy First Minister on 9 December 2015.

The UK Enterprise Bill was introduced in the House of Lords on 16 September 2015 and is progressing through the UK Parliament. The bill includes a wide range of measures that are aimed at promoting economic growth and the UK Government expects it to remove what it regards as unnecessary impediments to business.

The majority of the provisions in the bill are reserved to the UK Parliament. What we are concerned with today are those provisions that fall within the devolved competence of the Scottish Parliament and that require a legislative consent motion to allow the UK Parliament to legislate on those matters. The LCM covers two areas: the establishment of a small business commissioner and the capping of public sector exit payments.

I will outline briefly each of those areas. The UK Government intends to establish, as a statutory appointment, a small business commissioner with powers to offer advice, guidance and a complaints service to small businesses. The UK Government's aim is to tackle poor payment practice across the UK whereby a small business is subject to unfavourable contract conditions yet is keen to maintain that vital commercial relationship with a larger company.

Extending the provisions to Scotland will place Scottish businesses on an equal footing with those across the UK. Payment practices that disadvantage small businesses are a common complaint, and the small business commissioner offers an opportunity to address those issues that are a challenge for many of Scotland's small businesses that do business across the UK. My officials are in discussion with the UK Government

to ensure that Scottish interests and delivery processes are represented as the UK Government develops regulations for operational procedures. The proposal is seen as generally welcomed by the small business community and as adding to existing mechanisms. The provision falls within devolved competence because it affects business support policy. Therefore, the consent of the Scottish Parliament will be required to extend the measure to Scotland.

The second measure outlined in the LCM is the provision of regulation-making powers for Scottish ministers in respect of the cap on public sector exit payments. The UK Government intends to limit public sector exit payments to a maximum of £95,000. The measure provides for Scottish ministers to make similar regulations in respect of devolved Scottish public bodies. It would be for Scottish ministers to determine whether and how they wanted to take forward such proposals.

My officials have sought views on the measure across the Scottish public sector and trade unions. Most respondents were in favour of ensuring that proper consideration could be given to Scottish circumstances should there be any prospect of such a cap being introduced but commented that the UK proposals were overly prescriptive.

Ministers therefore have an idea of the range of issues and concerns but have not made any decision as to how the cap might apply to devolved Scottish public bodies. We have committed to consulting fully before making regulations to enact the power, including on such issues as exemptions from the cap and the delegation of decision-making powers.

In his correspondence with the UK Government in October 2015, the Deputy First Minister indicated his support for those measures, subject to two revisions: first, that the £95,000 figure be unspecified in the bill, as Scottish ministers want to have full flexibility over the powers to set the level of any cap from the outset as well as to vary it; and, secondly, that the delegated authority be extended to allow Scottish ministers to make regulations around the capping of public sector exit payments in relation to civil servants working for the Scottish Government. Both those revisions would be more consistent with the devolution of responsibilities for public sector pay, terms and conditions and exit payments.

Her Majesty's Treasury officials finally offered a response last Friday. They are clear that Scottish ministers could determine their own level of exit payment caps and, if they chose a different figure, that figure could be set out in the Scottish regulations from the outset. From a presentational viewpoint, it may have been better if there had been something express in the bill. However, legally, the position is fine and we are content.

In relation to the issue of Scottish civil servants in the Scottish Administration being covered by the UK regulations, although the Cabinet Office has already delegated to Scottish ministers authority over terms and conditions and voluntary severance, the power to make regulations in relation to those civil servants remains with UK ministers. HM Treasury officials have not said whether they intend to provide that delegation now, although it remains something that could be done at any time. We will continue to press them on the issue.

The potential benefits to the Scottish public sector of ministers holding regulation-making powers are such that we would want to progress the LCM even if UK ministers were not content to agree the points that were raised in the Deputy First Minister's letter. The Scottish Government recognises that the current position on voluntary severance may not always provide the best outcome for the Scottish public sector, and the powers that are proposed under the bill provide sufficient flexibility to allow them to be adapted to suit the Scottish public sector landscape. Once the regulation-making power was vested in Scottish ministers, it would be for the Scottish ministers to determine whether and how they wanted to take forward such proposals. The provision will affect the executive competence of Scottish ministers, and the consent of the Scottish Parliament will therefore be required to extend the measure to Scotland.

On 14 October 2015, an amendment to repeal the Green Investment Bank provisions of the Enterprise and Regulatory Reform Act 2013 in support of privatisation was introduced to the bill. Given the lack of consultation and reassurance on that privatisation process and the UK view that no Scottish legislative consent was required, the in-principle support for the Enterprise Bill that was offered to the UK Government in early October 2015 was rescinded until further notice. Following constructive dialogue between the UK and Scottish Governments, reassurances were received from the Secretary of State for Business, Innovation and Skills and from Lord Smith of Kelvin, the chair of the Green Investment Bank, in relation to the protection of the "green" purpose of the bank and the importance of the bank's Edinburgh headquarters and employees. All correspondence on the matter has been made available to the Parliament. On that basis, the strategic decision was taken not to pursue an LCM in relation to amendments concerning the Green Investment Bank, and the previously expressed in-principle agreement to provide legislative consent was reinstated.

The Convener: Thank you for that explanation, minister. I have a couple of questions. First, the Scottish Government is clearly supportive of the

proposal to have a small business commissioner. How much is that likely to cost the Scottish Government, given that it looks as though the cost is to be shared between the UK and Scottish Governments?

Fergus Ewing: I have a figure for that, which I read yesterday evening—I expect that it will be put in front of me in short order. I think that the cost will be relatively modest.

The problem is substantial and, although we welcome the step, we do not think that it will be enough. Many of the people here who also attended the cordial engagement with the Glasgow branch of the Federation of Small Businesses late last year were left with the clear impression that late payment is an endemic and unaddressed problem in the UK. There is a strong feeling that many large companies—I will not name them—take advantage of their relative strength in bargaining and wait many months before making payments. Moreover, many small businesses feel constrained in their ability to speak out, for fear of losing custom if they are perceived by large businesses as being—to put it bluntly—troublemakers.

It is a serious problem on which the Scottish Government does not have sufficient powers to legislate, although I should say—this is important, and I have been involved in it in some respects—that we have taken steps to ensure that payment by the public sector to small businesses, and to businesses in general, is conducted in a far more satisfactory way. We can share with members the evidence that we have on that, if you are interested, because it is an on-going issue that we need to revisit constantly to ensure that the system is operating properly.

The figure that I was searching my cranial area for is between £90,000 and £100,000. That is the cost that is currently estimated to be attributable to the establishment of the small business commissioner. I have to say that it seems surprisingly modest. After the meeting, I will ask for the figure to be reviewed in order to ensure that it is future proof. If there are further points on the issue, we will get back to you.

The Convener: I take it that £90,000 to £100,000 will be the Scottish Government's share of the cost and that the overall cost will be much higher.

Fergus Ewing: Yes—I thought that that was what you meant. We have around 7 per cent of the total number of small businesses in the UK with an estimated 7 per cent of predicted businesses likely to use the commissioner. The UK Government has indicated that it will meet the costs of establishing the commissioner. Should that position change, the estimated annual running costs for Scotland

may be around £90,000 to £110,000. That is based on the UK Government consultation and impact analysis.

The figure looks small, because, if 7 per cent of small businesses complain to the commissioner, the commissioner will be dealing with a lot of complaints, and I am not sure how the UK Government expects such a large volume of complaints to be handled other than in a very high-level, cursory way. If that happens, I suspect that there might be complaints about the complaints process.

However, let us not be too gloomy. In principle, the small business commissioner is a good idea, which is why we support it. On the face of it, it is possible that that approach will tackle a problem. Therefore, as an optimist I support it and, more to the point, the Scottish Government's Cabinet supports it.

The Convener: Just to be clear, is the figure of £90,000 to £100,000 the Scottish Government's share of the cost or the total cost?

Fergus Ewing: It is the estimated annual running cost for Scotland.

The Convener: It is the Scottish Government's share of the cost.

Fergus Ewing: Yes.

The Convener: Okay.

I want to ask about the capping of public sector exit payments. Over the past year, how many payments have been made in the Scottish public sector that exceeded the proposed cap of £95,000?

Fergus Ewing: Again, convener, somewhat late last night, after my trip to Caithness and north Sutherland, I read a figure that I hope my officials will provide shortly.

Public sector exit payments are a serious problem, and some payments have seemed pretty excessive to members of the public and members of the Parliament. I will not give examples, because that would be an abuse of my position, but we do not need to think too far and too long to come up with an example.

The matter is a legitimate and serious area of concern, so I very much welcome the fact that the Scottish Government has decided to take a Scottish approach, which, to be fair, the UK Government has largely co-operated with in principle. That is all to be welcomed. What we are not doing today is making a decision about what that approach would be. That would be entirely wrong, as it would prejudice a debate. However, I think that the need to take some kind of action is recognised and manifest.

In principle, capping is something that we entirely support as being necessary. I have referred to the preliminary consultation that we carried out, which indicated that the approach of setting one figure might be overly prescriptive. Nevertheless, we would have to look seriously at that approach. Local government made some specific points, which was not unexpected.

10:00

I can give you some provisional information from the Scottish Government. Out of 238 applications for exit payments that were received in 2014-15, 22 would have been affected in some way by a cap that was set at £95,000.

I appreciate that any computations, figures or statistics are complex and need to be seen in the round. Therefore, if it is acceptable, we will write to the committee to confirm the extent of the issue. However, it looks as though the figure is 22 out of 238 cases, or something under 10 per cent. That is not enormous, but it is nonetheless a significant number of individual cases in which, on the face of it, the award would have been in excess of £95,000, which most people would see as being a very large payment indeed.

Patrick Harvie (Glasgow) (Green): Good morning. My question is again on the issue of public sector exit payments. The end of paragraph 15 of the legislative consent memorandum reads:

"Trade unions have been more forceful in asking the Scottish Government to reject the UK Government's proposals."

You touched on that in your opening remarks, minister. Can you expand on the nature of those objections and how the Scottish Government responded to them?

Fergus Ewing: I am not sighted on that matter, so I ask Mr Owenson to expand on it. If he is not able to do so at the moment, we can write to you with more details.

Geoff Owenson (Scottish Government): The time constraint that was imposed by the UK Government's timetable prevented any formal consultation. Therefore, in late autumn last year, we undertook a very quick feedback exercise. The public bodies, unions and others that we approached understood that it was very quick and dirty.

Most of the respondents were in favour of ministers taking relevant powers to ensure that proper consideration could be given. Many respondents commented that the proposals were overly prescriptive and that there were other routes for setting voluntary early severance and early retirement payments at an appropriate level. Local authorities indicated that they wished to

continue to have discretion over their own arrangements. The trade unions were more forceful in asking the Scottish Government to reject the UK proposals.

As I say, it was a very quick and dirty exercise, which was undertaken over a period of about two or three weeks. That was the information that we fed back to the Scottish ministers, and they are still considering where they want to take those regulations.

Patrick Harvie: I acknowledge that the issue might come up if a future decision is made to use those powers. However, given that we have not heard anything more than what is written in the paragraph in front of us, it would be helpful to have something in writing about the nature of the objections that were raised and how the Scottish Government responded to them.

Fergus Ewing: We will certainly consider that. However, I think that it has been made clear already, by me and by Mr Owenson, that the initial consultation was, of necessity, a pretty quick exercise. It was not the thorough consultation that the issue merits. Therefore, I am not sure that we are able to say much more than we have said. Also, to be fair, the trade unions—with whom we work extremely closely on all matters—are very capable of speaking for themselves and should have the opportunity to do so if they wish.

Lewis Macdonald (North East Scotland) (Lab): Thank you, minister. You rightly referred to the prospect of the Green Investment Bank's privatisation as one of the significant aspects of the bill. You explained your concerns about a privatised bank ceasing to focus on green investment priorities and the possibility of the bank moving away from Edinburgh, and you said that you received assurances that have satisfied you. What steps would have followed had you not been satisfied?

Fergus Ewing: That is a hypothetical question. That is not where we are. We were very concerned about two matters principally, and one matter of principle. We did not agree with the privatisation of the Green Investment Bank—full stop. On matters of operation, we wanted to ensure that it would remain a green investment bank and not just become an investment bank and that its headquarters and associated jobs would be retained in Edinburgh, which in itself was a subject of some controversy.

What assurances did we get? In a letter on 3 November 2015, the Secretary of State for Business, Innovation and Skills, Sajid Javid MP, offered reassurances on the green purpose of the bank. In a letter on 12 November 2015, Lord Smith of Kelvin of the Green Investment Bank reaffirmed the GIB board's continued commitment to

retaining the headquarters and associated jobs in Edinburgh following privatisation.

As I said, those responses, which I have briefly summarised, are available in the Scottish Parliament. Although they do not alleviate all risk of what might happen following privatisation, both responses seem to be pretty reasonable and helpful. They give us reassurances from the UK Government in areas of importance to Scotland.

On a commonsense basis, following the responses that we received in good faith from Sajid Javid and Lord Smith of Kelvin—someone of the highest repute—we felt that the two serious issues that we had raised, and that Lewis Macdonald rightly raised, had been dealt with satisfactorily. In a situation of trust and respect in dealing with the UK Government, we felt that the conclusion that we reached was justified. We will, of course, continue to monitor the situation extremely carefully.

Lewis Macdonald: I have seen the correspondence between Sajid Javid and John Swinney and the letter from Lord Smith of Kelvin. On 3 November 2015, Sajid Javid was keen to point out that seeking voluntary agreement from new shareholders was

“the most we can do to secure this”—

in other words, to secure a green priority approach—and that

“It is simply not open to us to impose more binding conditions that require future owners of GIB to act in a particular way.”

The Secretary of State for Business, Innovation and Skills, who is the minister in charge of the bill, was keen to point out the limits of the assurance that he could give you on that issue. He did the same on the issue of the headquarters remaining in Edinburgh when he said:

“it is important to recognise there is only so much Government can do on this matter.”

On that issue, Lord Smith only expressed his personal commitment to and enthusiasm for staying in Edinburgh. Given the limited nature of those assurances, is the minister satisfied that either of those outcomes is guaranteed much beyond the next few months?

Fergus Ewing: As I said, the reassurances were couched in such terms that we can reasonably justify agreement to the LCM. The main point is that those reassurances have been provided in good faith. You asked about guarantees. Guarantees are not easy to come by in life or in Government. I recall that, in my days as a lawyer, banks provided the guarantees, and they had some difficulties not so long ago.

It is reasonable to rely on the assurances that Lord Smith and Sajid Javid gave in good faith. It is fair to point out that we do not support the decision to privatise the bank, but it is not within our powers to prevent it. Had the constitutional decision on Scotland been different, there would have been a different dynamic. It was not, and power rests in London. We cannot prevent such decisions being taken by the UK Government.

We must act respectfully towards the people whom we deal with. That is correct and that is what we do. The Deputy First Minister acted entirely appropriately and he obtained assurances that are sufficient in their terms.

The more important issue, frankly, is that green renewables industry and investment continues. Perhaps the more substantial question is about our concerns regarding the fiscal machete that is being used to destroy the renewables industry in Scotland and the UK. That gets to the heart of the issue, and is perhaps of more direct relevance to the stability and confidence of investors in the green sector. I have, if you like, a grandstand seat, because I deal with investors from Governments and public companies in the UK and furth of Scotland. Without exaggeration, it is fair to say that their confidence in investing in the sector has been undermined by the exercise of that fiscal machete over the past year, since the UK election. That is the serious issue that determines the viability of the investments for which, if you like, the Green Investment Bank was established to enable.

Lewis Macdonald: With respect, we are here to consider a legislative consent motion. Your answer brings me back to my first question, which you dismissed as being hypothetical. Given that new shareholders could change the chair and chief executive, relocate the headquarters and resile from voluntary agreements with the UK Government, and given that there seemed to be a difference of view between the Scottish and UK Governments about whether Scottish legislative consent was required for the amendment relating to the Green Investment Bank, did you come to a conclusion about whether a legislative consent motion was required?

Fergus Ewing: I have enough reality to deal with in my working day without having to spend time on conjecture and hypotheses. I am afraid that, fairly or unfairly, I am going to decline the opportunity to get involved in doing so.

In my opening statement I said that our initial view was not to agree to give consent. It was only after assurances were sought and obtained on the key points—about which I have been entirely candid in these unscripted remarks—that we agreed to give consent, for the reasons that I have stated .

The answer to your question is that we said, “No. We are not happy with this unless we get assurances that the Green Investment Bank will continue to be headquartered in Scotland and that the green nature of its activities will continue.” That was a reasonable course. I entirely accept that Lewis Macdonald might want me to say what our position would have been if matters had panned out differently but, given that they did not, I do not propose to do so.

Lewis Macdonald: I am simply trying to establish whether, if you said that you did not agree, that would have had any force.

Fergus Ewing: With respect, convener, I have answered the question in the way that I have chosen to.

The Convener: Okay.

Before I bring in Mr Brodie, I have to say that your comments about the “fiscal machete” seem rather bizarre, given that the subsidy cut to which I think you are referring applied to onshore wind projects, which the Green Investment Bank—as you well know—has never supported in its business plan and has no plans to do so. I wonder whether the term “fiscal machete” would also apply to your Government’s plans to hit the renewables sector with an additional £10 million tax grab, by bringing its projects under the remit of the business rates regime for the first time.

Fergus Ewing: It is not simply the elimination of the incentive support system for onshore wind, but the fact that that form of renewables was, by experts, adjudged—beyond peradventure—

The Convener: With respect, minister, we are talking about the Green Investment Bank. It was clear when it was set up that it was not set up to support onshore wind projects. That was never part of its business or forward plans, so why are you bringing in a totally irrelevant matter into this discussion?

Fergus Ewing: With respect, convener, although I realise that this is becoming a political discussion, I want to respond. A great many companies were appalled by the UK Government’s decision to scrap the least expensive—

The Convener: That has nothing to do with the Green Investment Bank; it is totally irrelevant.

Fergus Ewing: Hang on just a minute—I will come to that, if I may have the opportunity to complete my point. Many investors in onshore wind are also investors in offshore wind. The undermining of confidence in one leads to a counterpart risk and, in some cases, the undermining of confidence in both.

10:15

The argument is that if a Government pulls the rug from under our feet in one area where incentives have been promised, what is to prevent it doing so in other areas? I have heard that argument from a great many companies that are involved in offshore wind generation. Therefore, convener, the way that I put it was not an exaggeration. I understand that you—although not some of your colleagues—take a very condemnatory view of onshore wind.

The Convener: What view are those same companies taking of your Government's tax grab of £10 million a year on renewable energy projects?

Fergus Ewing: The business rates measures that were introduced by Mr Swinney are of an entirely different range and scale. They will affect existing businesses that are contributing successfully to the economy, and I do not believe that the UK Government's measures are a comparator of that order. We are not comparing apples with apples here.

Chic Brodie (South Scotland) (SNP): Good morning. I have two brief questions.

First, on the question of the Green Investment Bank, there is no assurance in Sajid Javid's letter that he can control anything in terms of the bank's privatisation or retaining the headquarters in Edinburgh. It is a shame that major shareholders in the new company are not employees in Edinburgh. I am concerned about what may happen regarding the migration of senior members of the Green Investment Bank to the new company. Is there any caveat in the correspondence that says that that will be looked at? We have talked about capping, but that would not stop the migration of current senior members of the Green Investment Bank to the new company or stop them owning shares in it. That is my first question.

Secondly, three years ago, when I was a European reporter on this committee, I wrote to the DFM regarding a meeting that I had had with the European commissioner on small businesses with a view to creating a small business commissioner in Scotland. The basis of meeting the European commissioner was that the relationship between the UK and Europe was not particularly friendly; I have no reason to feel that that will change.

That suggestion was made because there was no meaningful application to help small businesses with funds from the European Union programme for the competitiveness of small and medium-sized enterprises, which will amount to €2.3 billion in the period up to 2020. I see nothing in the Enterprise Bill that will address that issue

and nothing in the LCM that indicates what supportive—in inverted commas—role a small business commissioner, or subcommissioner, in Scotland might have.

Fergus Ewing: Regarding the second question, not for the first time Mr Brodie has raised an interesting point that I had not anticipated would form part of the debate. Out of fairness to him, we will go away and look at it carefully—particularly the reference to the scale of the funding from Europe that is involved.

More generally, I can say that the officials who are dealing with European development funding are attuned to the possibilities of, and the need to use, available funding to assist small businesses. That is very much a part of our programme for the next wave of funding. It is something in which I have taken an interest, and I am bringing together Scottish Government officials with the Federation of Small Businesses and other bodies to discuss it. If I may, convener, I will take away Mr Brodie's point and come back to him on that.

Chic Brodie: I apologise—I decided to raise the question just this morning.

Fergus Ewing: No need to apologise. We are all working as a team here—sort of. *[Laughter.]* As I have a little team here, I ask Stuart Foubister to answer the first question.

Stuart Foubister (Scottish Government): I do not think that there is anything in the correspondence on guarantees for senior staff. I make the point that a separate company is not being created. After privatisation, the company will remain the same company—the same legal entity—so there should be no automatic conclusion that there will be a need for transfer of senior staff or anything similar.

Chic Brodie: Or shareholdings.

Stuart Foubister: Shareholdings would need to be transferred in privatisation.

Richard Lyle (Central Scotland) (SNP): I am not going to ask a hypothetical question or a question about something that is not on the agenda. I worked for the Royal Bank of Scotland a number of years ago, and I was made redundant. Minister, do you honestly believe the assurances that you have been given on the Green Investment Bank?

Fergus Ewing: I have covered the approach that we have taken. It is the correct approach, and part of the reason why it is correct is that the assurance was given by the secretary of state in the UK Government and by Lord Smith, who is someone of unchallenged repute in his personal dealings. Mr Macdonald rightly pointed to things that could happen in future, and I think that Mr Lyle is pointing to that, too. I am not challenging

the point that we cannot predict with absolute clarity and certainty what the future may hold. However, as of here and now, when the Government takes decisions, we do so while taking account of issues such as the nature of the assurances and the persons from whom they are received. The decisions that we have taken are the right ones, for the reasons that I have said. Without casting any aspersions on bankers, the assurances have not actually been provided by bankers.

The Convener: As there are no more questions, I thank the minister and his officials for coming. Later, the committee will consider in private our response to the LCM.

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

10:21

Meeting suspended.

10:24

On resuming—

Longannet Task Force

The Convener: Item 4 is evidence from the Longannet task force. Before we begin, I want to mention two process issues. Johann Lamont has had to leave us to attend to parliamentary business elsewhere, and Patrick Harvie has to leave us shortly for the same reason. Those members might come and go during the meeting. I just wanted the witnesses to be aware that they are not storming out because of something that you have said—yet.

I thank our witnesses for coming and I apologise that we are running a little late. We have until about 11.30 for this session. I should declare an interest in that I am a member of the Longannet task force. The committee is keen to hear from the task force about its work, how it will support the Longannet workforce now that that closure is imminent, the wider plans for the Fife economy and how the economic hole that will be created by the loss of Longannet can be filled. We also want to get a more general understanding of the value of such task forces. I currently sit on three Scottish Government task forces. We are keen to understand the purpose and objectives of a task force.

I welcome our witnesses. There are six of you, so it is quite a large panel. Please do not feel that you all have to answer every single question that is asked, otherwise we will be here for some time. We have with us Stephen Boyd, assistant secretary of the Scottish Trades Union Congress; Hugh Finlay, the generation director at Scottish Power; Calum MacLean, PACE—partnership action for continuing employment—manager at Skills Development Scotland; Councillor Lesley Laird, the deputy leader of Fife Council; Fergus Ewing, the Minister for Business, Energy and Tourism at the Scottish Government; and Danny Cusick, the senior director for food and drink and tourism and textiles, and location director for Fife, at Scottish Enterprise.

Minister, do you want to make an introductory statement?

Fergus Ewing: Yes—thank you.

I welcome the opportunity to address the committee on the on-going support for the workers, businesses and communities that are affected by the premature closure of Longannet power station. This is a timely opportunity, given that electricity production at Longannet is due to cease in just over two months.

Against a backdrop of concerns for energy security linked to shrinking margins across the

Great Britain electricity system and, in particular, concerns for the consequences for Scotland of losing future power generation at Longannet, the Economy, Energy and Tourism Committee recently completed an inquiry into security of supply. The Scottish Government's view of energy security and energy policy is much less sanguine than the view that was presented in the committee's report, "Plugged-in Switched-on Charged-up; Ensuring Scotland's Energy Security", which was published on 26 October.

Following the planned closure of Longannet and a combined loss of around 5GW of coal-fired capacity across Britain, the outlook for winter 2016-17 is a huge concern, given the ageing nature of much of GB's capacity and the fact that investment in new and replacement baseload capacity has stalled. We have legitimate concerns about the adequacy and stability of Scotland's electricity supplies after Longannet closes, and we have made those concerns known to the UK Government—from the First Minister to the Prime Minister—and to National Grid. In particular, we continue to seek reassurance that system recovery plans, or black-start arrangements, and the time taken to restore power supplies will be adequate following the loss of Longannet. National Grid and Scottish transmission owners are responsible for developing those plans.

The Scottish Government has developed effective ways of responding to economic shocks, depending on their nature and whether they involve business failure, a decision to close part of a business or particular difficulties in a sector. Usually the PACE response is sufficient, and it is complemented by business support that is offered through the enterprise agencies and local authorities. However, when the impact of the economic shock is particularly severe, greater intervention, which is either locally or nationally led, has been put in place. Such interventions build on the existing available PACE support as well as general economic development support through local authorities and the enterprise and skills agencies.

The task force approach provides a focus for understanding the challenge and impact of the economic shock and for exploring all potential approaches for support and future activity. Of course, the circumstances surrounding the establishment of a task force are always unique. It is essential to emphasise that no two task forces are the same—in fact, every one is different.

The task force enables a bespoke response to the different circumstances of each event. When the shock is more localised, local authorities have assumed a leadership role, building effective partnerships to respond to the situation in their area. I recognise the extent of the impact that the

closure of Longannet will have on Fife, the neighbouring areas and across Scotland. Close partnership working with all partners is essential to ensure successful outcomes, such as mitigating the prospect of job losses and identifying how the wider business interests can be supported.

10:30

The Longannet task force will continue to work towards identifying the various needs and requirements prior to the closure. The emerging Longannet economic recovery plan will shape that work going forward. If I can go off script for a moment, the support that we have had from the local authority and the company has been exemplary. The plan that will be developed will set out activities that could re-establish a fair, inclusive jobs market, replacing lost job opportunities and promoting regional cohesion in identifying an after-use for the site. It will look at ways of supporting sectoral diversification and building skills, and ways of capitalising on the location of Longannet and the availability of strategic transport connections, local labour markets and business networks. It will also look at how to rebuild community confidence in the site.

I am grateful to have the opportunity to make this statement and I look forward to working with the committee on the Longannet task force and on the general issue of the use of task forces.

The Convener: Thank you, minister. I am quite keen that we do not spend a lot of time going over the energy policy debate, because we have done that many times in the past. It is more important to focus on the work of the task force, how we can help to replace the jobs that are going to be lost, and the broader question of regeneration.

In that context, I will start by asking you a question, minister, but maybe Councillor Laird can come in on it as well. The task force has been established and I presume that its work will last for some years—perhaps you can elaborate on that—but how will we measure its success? At what point will we be able to look back and say "Right. That task force was set up and it did its job because we know have this position in Fife to replace what was lost in Longannet."? Will it be four or five years from now? How will we measure the success of the task force?

Fergus Ewing: The task force has primarily to work with our partners to focus on what can be done in practice. The primary focus has to be on understanding as quickly as possible the facts, the nature of the problems and the impacts on people and the economy. A task force is formed because there has been a very severe shock; not simply a few people losing their jobs—of course, for them, that is a tragedy—but a substantial impact of an

economically seismic nature on a local community, whether it be Glenrothes in Fife, the steel community in Motherwell, the town of Fraserburgh or the Longannet community.

Each case will be entirely different, but it is important to say that evaluation comes afterwards. Convener, I am sure that you would agree that the primary focus has to be on doing the job, especially in terms of what can be done of a practical nature. Therefore, to answer your question about evaluation, that comes later.

I do not know whether you want me to do so at this point, but I can provide some information. Thanks to officials, we have information from the Fife task force about an outcome, which contains a breakdown of those who have received full-time work and training.

The Convener: Maybe we should explain, minister, that the Fife task force is for Tullis Russell.

Fergus Ewing: Indeed. I was just going to say that. We cannot give similar information on outcomes for Longannet, because it has not closed yet. One of the benefits of working with the company before the closure is that we can plan for what is about to happen. That is different from, for example, the disgraceful case of Mike Ashley and USC in Ayrshire, when workers were told that they were being made redundant on the spot and the company refused to respond to our letters. In contrast, the relationship with Scottish Power has been one of very close engagement and partnership. We have worked very closely with Hugh Finlay and his colleagues, which has the benefit that the workforce has a period of about 18 months to prepare and plan for life beyond Longannet. It is a great sadness, a great shock and a great loss but, on a human level, thanks to the approach that this enlightened company has taken, we are able to plan much more efficaciously.

I am probably hogging the show at the moment, but I am very interested to hear what my colleagues in Fife Council and Hugh Finlay from Scottish Power have to say about the matter.

In the case of Longannet, although the greatest impacts will perhaps be on Fife, they will not affect Fife only. Some local authority colleagues would say that they will be equally affected in their areas, and they are represented on the task force as you know, convener.

Evaluation has difficulties. Nobody has a duty to come and report to Fergus Ewing, saying, "By the way, I've got a job now." A lot of people will just get on with their lives and go and get a job for themselves. There is no duty to report in such cases. We find out about that through PACE doing evaluations by sending out questionnaires to

people. That is the basis upon which statistical data is obtained about individuals.

The measurement of economic impacts is much more complex. Logically, the exercise can only be done after a forensic, comprehensive, encyclopaedic picture is created of the actual benefits of Scottish Power to the supply chain and then an analysis of what happened to the money that was injected into that supply chain.

Intellectually, convener, I hope to persuade you that evaluation is not an easy or simple process. We have a method of dealing with it specifically in relation to people, and rightly so. PACE can talk about that in a lot more detail than I can.

On the slightly more nebulous concept of wider economic impacts, direct and indirect, it is intellectually difficult to find a method of evaluation of the serious impact that does not involve disproportionate costs. Danny Cusick might be able to address such a conceptual problem in more detail, if you and other members wish him to do so, convener.

The Convener: I will invite Councillor Laird to contribute on my question. In five years' time, how will we be able to look back and say, "That task force was a success"?

Councillor Lesley Laird (Fife Council): I start by reiterating the point that each task force is different. You have some experience of the one for Tullis Russell but the circumstances that led to the establishment of that were very different. The Longannet task force has a broader reach, not just in Fife but throughout the central belt to the west. The way to approach it clearly has to be different.

Any task force needs to look carefully at the short-term, medium-term and long-term objectives that we are trying to accomplish through it. The short-term ones are fairly clear, in that there is a human impact and job losses. The impact is not just felt at an individual level; there is an impact on communities. Therefore, it is important that the task force takes mitigating action to address the aspects that are within our gift and control to do something about.

Convener, you have touched on a broader question: what are the wider ramifications of sudden impacts on local economies? How do we plan, assess and prepare a better and more resilient workforce in our communities and a stronger economic infrastructure?

As regards the Longannet task force, six workstreams are effectively examining those short, medium and long-term areas. As we work through the work of the task force, it will be a matter of starting to flesh out what we think are the medium to long-term impacts. Some of the workstreams aim to address areas such as the lack of incubator

and small business growth units within the Kincardine area. The task force might want to explore that further.

The measurement of that work needs to be done further down the road, when we manage to attract, develop, grow and sustain businesses. As the minister says, the picture is complex, but we have to have some objectives in mind in the timescales, and we have to be clear about our objectives.

I reiterate that by pointing out that task forces take up a lot of resources, time and contributions, not just from the officials here but from all the people from the various organisations who are working to deliver the plan. We should not fail to recognise the amount of time, effort and money that it costs to write the plan and deliver it, and it is the delivery that will test whether we have done a good job with our planning.

The Convener: Thank you for that.

Mr Cusick, do you want to comment?

Danny Cusick (Scottish Enterprise): The approach that we take to measure the wider impacts is important and, as the minister and Councillor Laird have said, it is also awfully complex.

The impacts are not just on businesses; they are across communities, people and businesses. Each agency will put together a measurement and evaluation framework to track our interventions. Skills Development Scotland will track, as much as possible, where jobs are and where people who are directly involved are redeployed. Scottish Enterprise will seek to track all the interventions that we make to support companies that have either been immediately affected or are in the immediate area. By tracking those interventions, we can look at how many projects have been accelerated and how many jobs have been created over time.

Through a formal measurement evaluation, the task force can then try to get a sense of whether the collective inputs have mitigated the effects of what we know, at the moment, is the worst case scenario in terms of economic impact. A framework and a governance structure are in place. We will look seriously at how we intervene, and at the outputs that those interventions create.

The Convener: Stephen Boyd wants to come in.

Stephen Boyd (Scottish Trades Union Congress): In answer to your question, convener, it is tremendously difficult to measure the success of the task force. Instead, it might be helpful to think about what is expected of task forces that are established in such circumstances.

In the first instance, it is clearly about assisting individuals who are in danger of losing their jobs. We can come back to some of the specifics but, generally speaking, task forces do a reasonable job. Working with a responsible employer and having a reasonable timeframe to deal with the issues assists with that job, as it did in this case. However, that is not always the case.

Secondly, and maybe more importantly in this general discussion, when a task force is established in circumstances such as this, to what extent can it reasonably be expected to deal with the long-standing economic development problems in many of Scotland's communities? Those problems have been pretty intractable in some areas.

The best example of that is the coal task force, which, as you will remember, was established after the very sudden collapse of the surface mining sector in Scotland. I attended some of the meetings of that task force out in Cumnock. East Ayrshire has long-standing and deeply ingrained economic development problems. Can a task force that is established in such circumstances really begin to address those problems? I am not entirely sure that it can. That suggests that, to start looking at those conditions, we need a different kind of task force with a much longer outlook.

The Convener: You have raised a range of interesting issues.

I am keen to bring in Patrick Harvie, as he needs to leave the committee shortly.

Patrick Harvie: Thank you, convener. The other committee that I have to go to has been delayed, so I have a little longer. However, the question that I want to raise is relevant to the last point that Stephen Boyd made, so it is helpful to bring it in now.

In his opening remarks, the minister rightly talked about circumstances where we are thrown into an urgent situation of which we have no foreknowledge and so we have to respond reactively. However, there are situations where foreknowledge is coming. The Longannet plant is closing, whether or not that is necessary—there is disagreement over that. It is closing a few years earlier than anticipated, but it has been known for a considerable time that the plant was coming to the end of its life.

Would it not have been helpful if all of the intensive activity that Councillor Laird talked about had begun much earlier and at a calmer pace, building it into the Government's economic planning, rather than merely being reactive? The end of burning coal for electricity has been anticipated for a long time.

Fergus Ewing: I am not sure whether the phrase “foreknowledge is coming” means anything, but I think that I get the drift.

Patrick Harvie: Sorry about the tautology.

10:45

Fergus Ewing: I refute the assertion that there was any kind of panic, unseemly rush or lack of preparation. Hugh Finlay is here, and he is the man who can talk about Longannet with more authority and passion than anybody else on this planet. Longannet should not have closed. I am answering this, convener, because the question has been put. Longannet should have continued to do the great job that it has been doing for Scotland for the past several decades at least until the end of this decade.

Convener, you have been in the boardroom at Longannet. There is a picture on the wall there that shows the employees and “Longannet 2020” is the slogan on the wall. The professionalism and enormous investment that Scottish Power has made in Longannet for the past 10 years should have been utilised in various ways.

I am not reopening the rights and wrongs of the UK Government’s failure to respond in any meaningful way to our repeated requests and arguments. However, shortly after it became evident that the Prime Minister was not for turning, to coin a phrase, and that there would be no intervention from the UK so there was nothing more that we could do, we turned immediately to working with our colleagues on the council and the company to address the consequences.

Mr Harvie has raised a fair general point but it does not apply to this situation. On the contrary, we had a considerably lengthy period before the closure and the workforce has had quite a bit of time to think about things. We have had time to engage with Stephen Boyd and his colleagues and with Hugh Finlay and Lesley Laird, and we have done so in detail.

The company can talk about the opportunities in Scottish Power for some people. Other people are fairly close to retirement. I have met some of them more than once because I have visited the plant several times. Other people are highly skilled, and I am interested to hear Hugh Finlay talk about them, because an awful lot of them will find jobs without a great deal of difficulty, although they would not have chosen so to do.

I refute Mr Harvie’s suggestion and think that, on the contrary, we have sought to make the best of a situation that we felt strongly should never have arisen.

Patrick Harvie: I certainly did not accuse the Government of panic—I did not use that word.

However, the Government’s energy policy documents anticipated something like 2020 as being the end of the plant’s operational life. Does any of the other witnesses share the view that Stephen Boyd seemed to be heading towards expressing, that a longer-term piece of work for a task force to look at the final 10 years of a plant such as Longannet would prepare us so that, if it was to be closed a few years earlier, more of the work would have been started? That would be better than having to do the great deal of intensive work that Councillor Laird talked about after an announcement was made.

Hugh Finlay (Scottish Power): I do not want to go back into the economics of the situation, because that has been presented to the committee in the past. I am not sure how Scottish Power would have prepared beforehand for what happened once the decision had been made.

My focus is now on the staff and all the people who have been impacted by the decision. The task force met before the firm commitment to close was made, and that was useful for us. We have strong engagement with the trade unions—the partnership between the company and the unions is as strong as it can be.

The reality for the staff is that, when the task force started, 236 people were employed by Scottish Power at Longannet. Of those, 16 have left and taken up new roles in other companies. As the minister said, 152 were able to take advantage of the quite substantial retirement package that was offered. A number of them might want to seek further employment, but they are in a much better position than they would have been without that package. Our company redeployed 27 employees across the business, leaving about 17 per cent who want to remain with Scottish Power but who we have not been able to sort out yet. One member of staff in that position is far too many, but 17 per cent is a lot lower than I expected.

For me, the focus has to be on managing the people right now. From that point of view, we are in a good position. We still have some time between now and the full decommissioning of the station to try to work with the people who are left and get them work elsewhere. In that, we have been supported by PACE. We have brought in about eight or nine organisations, such as Police Scotland, the Weir Group and Ineos, and made presentations to staff. The station has a really skilled workforce, so there are still opportunities.

From a people point of view, we have to be sensitive to the timescales. We have done that, which has flowed through into a situation that we need to keep working at but that is pretty strong.

Stephen Boyd: In such circumstances, early intervention is crucial. The eight or nine-month

period that we have had at Longannet is pretty good compared to many other instances.

It is interesting to think back to when PACE was established in the early part of the previous decade. The original intention was always that it would examine the company that was in trouble and consider various ways of saving it, such as looking for a new buyer, considering employee buy-outs and ways of changing employee ownership. However, that never happened because, when companies are in such a situation, they do not want to engage with Government agencies or, in most circumstances, their workforce. There are also often barriers to companies doing that. When we examine the ownership structures in the Scottish economy, we see that we are often talking about branch managers, who can hear about such decisions quite far down the line.

We all agree that intervention is crucial and, over the past few years, we have had a couple of workstreams in PACE on that, but it is tremendously difficult to make it work in practice and we should not underestimate that. We have all been trying to make it happen for more than a decade, but it is tremendously difficult.

In my answer to the previous question, I was getting at the point that there are apparently intractable problems of economic development for communities around Scotland. Task forces that are established in relation to industrial closures perhaps have unreasonable expectations placed on them to begin to solve some of those problems, so considering a new approach to economic development in such areas might supplement the task force approach to specific industrial closures.

Calum MacLean (Skills Development Scotland): I reinforce the point about early intervention. As the minister said, PACE is often faced with companies that go into administration, such as Tullis Russell, which means that we have no time. We have a comprehensive monitoring and evaluation programme for PACE in which we follow up every customer who receives an in-depth service. Our research consistently shows that, the earlier that we can get in front of employees to deliver services, the better. From memory, I think that three to six months is the optimal time for that.

We have had good co-operation and support from Scottish Power and Right Management, which is its outplacement agency. The feedback that we have received from unions, employees and the company is that the timing is right in this intervention. We have been working with employees since before Christmas—I can provide more detail on that—and we have enough time to do the job in hand.

Councillor Laird: Stephen Boyd's point about the wider infrastructure and how we respond to that is well made. When it was suggested that Longannet was closing, Fife Council was proactive in approaching the Scottish Government and asking for a task force to be formed. Particularly on the back of the Tullis Russell announcement, we felt that it was important to get on the front foot and start to make plans where we could. However, there is a balance to be struck between that and undermining business confidence by intervening prematurely. That is a very difficult balance for politicians to try to strike. Nonetheless, it is better to be proactive than to come in later in the day and try to respond to issues on the ground.

Patrick Harvie's point on the wider economic assessment is really important. The committee is raising a good question. For example, let us look at the example of the impact of the economic climate on the oil industry and the likely repercussions of that. In Fife, we have been taking stock and assessing with our manufacturing sector what the implications of the flow-through of that into Fife will be. Around 12 per cent of industry in Fife is in the manufacturing and engineering-led sector. Clearly, we want to understand early what the fallout will be and what, if anything, the council can do to facilitate dialogue, so that like-minded people can get together and look at possible interventions.

It is absolutely essential that we scan the economic horizon. Instead of having a task force coming in at the back end, we should, at the front end, scan the horizon, assess what is coming and put time and effort into more proactive development activity. We also need to ask whether that activity is focused on the right areas, given some of the legacy issues that communities across Scotland are still dealing with.

Dennis Robertson (Aberdeenshire West) (SNP): My question is to Councillor Laird. We are looking at being proactive, as you said. A jobs fair will take place on 28 January, I think. How responsive have external organisations and agencies been regarding that jobs fair?

Councillor Laird: We have a proactive economic development team in Fife and our officers have strong relationships with the business community. We are proactive in ensuring that we have those relationships. When such situations arise, we have a good network of businesses that we can connect to, which helps us to understand what opportunities there might be for redeployment. That was well demonstrated in the situation with the Tullis Russell workforce.

We also have strong relationships with Danny Cusick and the PACE team, and with the trade unions. The on-going work on those relationships means that, when something happens, we can

quickly mobilise resources, and that has been well demonstrated across the two task forces.

Dennis Robertson: Have you had a good response in terms of who will come to the jobs fair?

Councillor Laird: Colleagues who are organising that are probably better placed to talk about the specifics of the response.

Calum MacLean: Through the Centre for Engineering, Education & Development, we have gone out to Scottish Enterprise account managed companies and companies with connections to Fife Council. Employers are coming in. As of two days ago, we had approximately 12 to 15 employers, including large employers such as Ineos, GSK, Scottish Water, Lockheed Martin and the Weir Group. A number of recruitment agencies are coming, and on the day we will have guidance and support agencies, provided through PACE.

Dennis Robertson: Does that match the diversity of the workforce that is seeking future employment?

Calum MacLean: There is probably no quick answer to that. Each member of the workforce is treated as an individual who may have multiple career goals. For example, an engineer may want to stay in the power generation sector or move to another sector such as food processing engineering or defence engineering, or they may wish to set up their own business. People often have a number of career options, so we try to spread the net as widely as we can. Scottish Power has been proactive in linking into local employers such as Ineos and GSK. Wherever a member of staff has a clear job goal, we will try to bring an employer to them.

Dennis Robertson: We have heard about the human impact on each individual and their families. Someone—it may have been the minister—said that each job loss is a tragedy in itself. Have you had any engagement with Fife NHS Board about offering support to individuals to address the possible impact on mental health? This may be a question for the minister, but have you engaged with the banks to ensure that they are sympathetic to those who have been made redundant and have not yet found employment? My first question probably is for Councillor Laird.

Councillor Laird: Personally, I have not had contact with the health board. I know that Scottish Power has a strong support structure for its employees.

Hugh Finlay: We have a very active occupational health department, and counsellors are available to staff who want to talk. We have also offered all staff financial advice and have put in place classes that cover a broad spectrum from

the basics of interviewing and preparing CVs, in order to prepare people for other things, through to support in the form of counselling, whether that is just a general chat or something more than that. All of that is available to every member of staff.

11:00

The Convener: Minister, do you want to respond?

Fergus Ewing: These are matters for the company, which I think has dealt with them responsibly, and for the agencies involved. My role as convener of several task forces is to work closely with everybody, provide overall co-ordination and quickly determine what practical measures, if any, can be taken in a whole range of areas including training, business growth, community regeneration, infrastructure, future use of the site and environmental mitigation.

As I think Mr Boyd and Mr Harvie have pointed out, each task force has a different focus. The coal task force, for example, did great work in persuading the Office of Rail and Road not to hike up the costs of freight per tonne. That is what we did, and I do not think that that would have happened had the task force not questioned—I was going to use a stronger word—the ORR. If the task force had not been there, that would not have happened, and it then went on to review planning processes for restoration. By contrast, the Tata task force has focused almost exclusively on the twin tasks of identifying a commercial operator that, ideally, would take over the two Scottish sites and making that proposition more viable by addressing cost issues.

As I have said, each task force has a different focus and, as you would expect, we work closely with local authorities in particular—in other words, with people such as Lesley Laird and David Ross, the councillor convener of the Fife task force. If it is necessary to address health issues or approach banks, for example, we will do that, but we do not start off by doing that. Instead, we start with a really focused inquiry on what the matter in hand entails and what we can usefully do.

One of the good things that emerged pretty quickly from the task force's work was ScotRail's recruitment of DB Schenker drivers. When it was confirmed that Longannet would close, ScotRail discussed with DBS the potential recruitment of 60 DBS rail freight drivers who were affected, and it advised that it would welcome applications, which, of course, would need to be assessed. That led to former DBS drivers being successful in taking up positions with ScotRail—there were not many, but that was the result for the individuals concerned. That happened because our initial focus led us to that problem, and we then went to ScotRail to see

whether it could help, which it could. That is a practical example, and although one might argue that the solution might have emerged anyway, it probably emerged sooner than it would otherwise have done because of the focus of the task force and the huge amount of work that Lesley Laird has mentioned.

Chic Brodie: I know that we are not going back into policy, but I thought it very instructive that when Amber Rudd and Stephen Lovegrove gave evidence to the Energy and Climate Change Committee after the Longannet closure had been announced, Mr Lovegrove said:

“Ofgem, following the European Union’s third energy package, is effectively saying that there has to be a form of differential pricing so that the generating plant is not responding to irrational economic pressures”.

Talk about the pantomime horse getting out before the door is closed.

My question is for Calum MacLean. Last night, after 18 months of work, I was privileged to have a members’ business debate on the heavy goods vehicle driver crisis. Scotland is short of 11,000 drivers, and the demographics and the entry position are such that that shortage will have an impact on businesses. I am not suggesting that everyone at Longannet wants to be a lorry driver, but what regular dialogue or on-going discussion do you have with Skills Development Scotland—or does it have with you—in order to keep ahead of the game on what it might perceive to be shortages in particular industries?

Calum MacLean: Colleagues in SDS who have responsibility for specific sectors have regular dialogue with the heavy goods associations. I do not have the detail on that—

Chic Brodie: I am not just talking about heavy goods vehicles—that just happens to be the case in point. I am not laying this at your door, but we should be ahead of the game in indicating the demand.

Calum MacLean: On the dialogue with the HGV sector and others, we have a team of sector managers whose job is to engage with industry, to look at future needs and to articulate them through skills and investment plans. That work is fed into our one-to-one guidance process, which supports everyone who is under threat of redundancy. In this case, we are advising not only Longannet but a number of supply chain companies. Everyone who is threatened with redundancy is offered one-to-one consultations and the opportunity to identify training that might meet their needs and assist them to get a job in the labour market. That would include HGV training, bus driving training and so on. For each—

Chic Brodie: However, there is a knock-on effect. We talk about food and drink, particularly

exports. Joan McAlpine’s speech in last night’s debate was helpful. It is extremely difficult to get HGV drivers to take our exports to our ports of exit. Not everyone wants to be a lorry driver, but it is a highly paid job. I am surprised that there seems to be no mention of that when I talk to those who lead the HGV industry.

Calum MacLean: I will report back on the discussions that colleagues have had. A discussion about training options is on the table for every individual, and HGV training is certainly one of the options that we would discuss with them.

Danny Cusick: To give the committee some reassurance, I can say that there is well-developed dialogue across the skills agenda throughout our key sectors. Calum MacLean alluded to the skills development plans. On food and drink, a team from Skills Development Scotland and industry is looking at—

Chic Brodie: Mr Cusick, that is not the case. We had to drag them to the table to put out to tender the development of a full survey on the HGV market; the tender closes today. They have not been at the table.

Danny Cusick: That might be the case on the logistics side, but in terms of the immediate skills that are required for the industry, the focus is certainly on industry requirements. That is then taken through to training schools and further education.

Fergus Ewing: As Mr Boyd and Mr Finlay have said, one of the many benefits about having a bit of time is that, if any of the workforce involved in any of the areas where there has been a severe shock—or, indeed, any worker—has 18 months or a year in which to decide what he or she wants to do, and if their plans include going back to college or university, that time can be used to make an application to get on a course. If a person does not hear that they are to be sacked until the day before it happens, the next available course might not start for six months, nine months or a year hence.

We work extremely closely—I should have said this initially, and I apologise for not doing so—with the colleges and the universities, as appropriate. We have had great support in Fife in particular, where they have risen to the challenge. I think that I have a table that shows how many of Tullis Russell’s workforce have decided to pursue diverse training. Where there is more notice, there is a bit of time for planning on a human level. Someone can think, “I fancy doing something entirely different. I’ll just go back to college or university.” That is much easier to do in a Longannet-Scottish Power process than it is where the workforce hear the day before that they are to get their P45.

Councillor Laird: My response probably reflects Mr Brodie's point fairly accurately. In Fife, we took a view early in our administration that we needed to have a more accurate assessment of matching skills with training. We undertook a partnership study with Professor Alan McGregor of the University of Glasgow to assess more accurately what the demands and skills requirements were. Over the past few years, we have been implementing an alignment of that plan. We are making sure, for example, that the Fife economy is focused around delivering the skills that the businesses in Fife and beyond need, because we must recognise that it is a global market and not become too parochial in our skill set.

It is also about understanding the relationships between education and the colleges, and ensuring that that pipeline is working effectively. As I said earlier, if you are not regularly scanning the horizon and understanding what is changing, you will not be connected to how things are changing in the market. We are attempting to do that in Fife, but you can see from some of the examples that we have discussed that the picture is very dynamic and is changing all the time. How do we get better mechanisms that are more proactive in scanning the market so that we are ahead of the game and not catching up?

Chic Brodie: I think that the Government, the minister, the leaders of industry and the trade unions are doing the best job that they can in the circumstances. However, I do not understand—Councillor Laird can tell me whether I am wrong about this—why each council does not have an a priori list of the major employers in its area and regularly meet those employers to see what their financial situation is and what the market and employment conditions are. Councils might do that, but it certainly does not seem to be happening in the economic development teams in some of the councils that I have talked to.

Councillor Laird: I think that you have to look at that in the context of what has been happening more widely in local government. There have been 40,000-odd job losses and protecting front-line services often means, unfortunately, that economic development gets targeted. I am pleased to say that that is not the case in Fife. We are proactive and have a register of our top 250 companies, which we regularly meet and have dialogue with. We have officials who are matched to those companies, so we have relationship management on that basis. I regularly go out and meet businesses and I hold different forums with cross-sections of the business community in Fife.

It is about having the time and resources, but it is also about having the strategy and the plan that shows that we are very clear about what we are

trying to achieve and—to return to my earlier points—about what our short, medium and long-term objectives are and how we are delivering them on the ground. That is what we are attempting to do in Fife.

Chic Brodie: Yes, I know. I ran a company in Fife and I know how well Fife does in that regard.

Danny Cusick: Scottish Enterprise has a portfolio of 2,500 account-managed companies at any one time. Each of those companies has a dedicated account manager and there is on-going dialogue with them. In the immediate area around Longannet, there are 189 account-managed companies across Fife, Clackmannanshire and Falkirk. There is continuing dialogue with those companies to understand their needs and requirements, and to identify where we can accelerate or support growth projects.

Fergus Ewing: It is important to make a couple of general points to back up those that Councillor Laird and Danny Cusick have made. First, there is the on-going work, entirely apart from the work of task forces, that is the bread-and-butter work of the enterprise network and business gateway, which has assisted 801 new-start businesses in Fife. Danny Cusick beat me to it in referring to the account-managed companies that we are working with. In 2015 and to date, five regional selective assistance projects have been approved in Fife, totalling £540,000, with the creation of 39 jobs. As you will know, convener, most of that work goes on under the radar and behind the scenes. Because it is good news, it does not really feature very much in the press. The people involved know about it, but it does not really hit the headlines.

Secondly, there is an entirely separate area in which we work with not only the enterprise network and local authorities but insolvency practitioners on early intervention to get, if you like, confidential forewarning of potential industrial difficulties and companies in difficulty. A lot of the work that I am involved with relates to that confidential work. We have built up relationships with the Institute of Chartered Accountants of Scotland and insolvency practitioners that allow us, in confidence, to try to address difficulties behind the scenes. In some cases that means averting administration and in some cases it means looking post administration at how the business could be continued if it is viable and profitable or could be made so. There is a range of other work aside from task forces that we try to do to the best of our ability.

Lastly, I am aware that the Fife economic team is extremely proactive. They hold business breakfasts, which both John Swinney and I have attended. I visited a number of companies recently—Oceaneering, FMC, BiFab and Raytheon—and I frequently visit those and many

other companies in Fife. They are all major employers in Fife and all have different challenges and successes.

So, all that work carries on and it is the staple of economic development work in Scotland: working together to try to achieve sustainable economic growth and assist people to get and keep jobs.

11:15

Stephen Boyd: We need to be very careful about thinking that skills gaps, shortages and mismatches are a consequence of agencies and local authorities not doing their jobs properly. For instance, if the road haulage industry is facing a skills shortage on such a scale, the industry must have a good, hard look at itself, in the first instance, and secondly—

Chic Brodie: Which it is doing, by the way, by bringing its administration up to Scotland.

Stephen Boyd: That is good to know.

The Longannet closure is not a secret to anyone. There is a reservoir of skilled people there on which to draw, so the HGV industry should be right in about it. Calum MacLean and his colleagues have organised jobs fairs, but they cannot invite every employer in every industrial sector to be involved. They should be making themselves aware of such opportunities and making the most of them.

Lewis Macdonald: This has been an interesting discussion. I am a member of a task force in Fraserburgh, which faces very different challenges—in some ways, they are steeper challenges in relation to people. The position that Hugh Finlay described is perhaps more encouraging than he anticipated that it would be at the beginning. The focus on people is absolutely right.

I am interested in the other aspect of the issue, which is the impact on community. The sudden disappearance of a high number of highly skilled and well-paid, technical jobs has an impact not just on the individuals concerned but on Kincardine, in this case, and the immediate vicinity. Will the task force members comment on that?

Stephen Boyd said that there was a time when the first question that PACE would have asked was whether there was an alternative operator. It is clear that we are not in the circumstances that might have applied 15 years ago. Nonetheless, the site itself is of value. What can the task force tell us about disposal of the site and how it might be connected to economic development for the local community?

Hugh Finlay: We need to make people aware of the position in relation to the site. We will close the station on 31 March; we will then have nine months of decommissioning and making the site safe. At that point, even if a decision was made to demolish the building, starting from 1 January 2017, there would be four years of substantial work to bring it down. It would be broadly five years from now before the site was available to do things in any meaningful way.

That does not stop us having discussions in the task force and its offshoots and looking at suggestions for the site that are doable, where we can work together. ScotAsh is on the site at the moment and we are able to manage things so that it can remain there and continue doing what it is doing. We are always open to that. However, we are talking about a five-year period—if a decision is made and nothing else changes—before the site has been levelled and is in a position that is similar to the position at Cockenzie, for instance.

Lewis Macdonald: That is helpful. Perhaps we could hear the local authority point of view about the impact on the immediate neighbourhood of the job losses. Many of the people who are involved are taking early retirement or being redeployed elsewhere.

Councillor Laird: I will make a couple of points. Two task forces have been set up. The two companies have highly skilled workers, and in Scottish Power's case they are well-trained workers, who have had on-going training support and who have regularly upgraded their skills, so when the event happened they were marketable—they had a skill set that made them attractive to other businesses, as we can see from the companies that responded.

The question for me is how we build resilient and sustainable communities. That is part of the work that we need to look at more broadly. How do we ensure that our education system is fit for purpose and is about not just education but building resilient people, who can see the wider economic horizon and understand what it means for them and the skills that they will need if they are to remain marketable, given what is happening.

Colleges have a key role in that regard, and it is regrettable that at a time when we want more people to have opportunities to gain, refresh and update skills, the college sector has for various reasons lost the pivotal role that it has played over the years.

If we really want to look at the wider economic impact, we need to understand all the levers that contribute to people's resilience in terms of their skills and their outlook. If we do that for communities, we stand a better chance. We

operate in a global environment. Lots of companies are competing for investment and for skills, so we need to make sure that we stand out. That starts with getting the people in our communities the right skills.

Lewis Macdonald: Thank you very much.

Danny Cusick: I want to reflect the importance of both the community and the site. As Councillor Laird alluded to earlier, there are specific and separate strands within the action plan, and she is focusing on both of those aspects.

The Convener: Let me follow up on the point about the site, which is quite important. It seems to me that a task force can go down one of two routes. One is to say, "We have a workforce and a skills base, and we will try to disperse them; some people will take retirement, and some will go to other jobs elsewhere." An alternative route—which I think was attempted at Tullis Russell, without a great deal of success—is to try to find another enterprise to come in, occupy the site and take up some of the employment. I would be interested in any thoughts on that.

In the case of Tullis Russell, the only enterprise that I am aware of that had any prospects with regard to skills and employment in the area was Cluff Natural Resources. It came in with a proposal for underground coal gasification in the Forth, which I know Fife Council was not very enthusiastic about. Cluff pulled out because of the lack of political support and policy certainty from the Scottish Government. Should we not be more welcoming of that sort of initiative, which could bring skilled jobs to the area?

Fergus Ewing: Fife Council can speak for itself, but first, conceptually speaking, I do not think that those are the two possibilities—disperse or get inward investment. It is quite the contrary, actually. My approach in convening task forces throughout the country is based on the essential need to engage with the local businesses that are there already. Those that are doing well are able to assist by providing one, two, three or more jobs, and all local businesses want to help. They want to be asked to contribute.

That is why in Hawick we will be holding an event for local businesses thereanent in a couple of weeks' time. That is why in Fraserburgh I held an event last Monday for local businesses, which led to two potential actions. By reaching out to local businesses we learn things that are current. We learn about their plans—which perhaps they can bring forward—and about potential vacancies. In the case of Fraserburgh, filling vacancies may be assisted by the provision of a local bus service from Fraserburgh to an area not far from there where many of the workers do not have cars but there currently is no bus service.

The approach is to find out the local facts. Yes, of course, finding an alternative use for the site is appropriate for some task forces. Yes, of course, inward investment can be the answer. Yet whether it is Diageo, Vion or Freshlink—or Fraserburgh, Fife or Longannet—we need to reach out to local businesses as well as having the task force, which is a largely public sector activity. We also need to have events that reach out to the local business community.

I can absolutely assure you that many local businesses in Fife have risen to the occasion. Incidentally, I think that I am right in saying that Marine Harvest has recently decided to locate a new plant in Glenrothes in order to conduct a salmon fish-processing activity there. Therefore it is not correct to say that Fife is a no-go area for inward investment. However, that is not necessarily the primary approach to take.

Also, by its nature, an inward investment plan takes a long time to bear fruit. I am involved in innumerable projects at the moment that may or may not come to fruition. What they all have in common—particularly the larger ones—is that they take years, not months, to deliver. Therefore, from a task force's point of view, they have less efficacy than reaching out to the local business community and workforce representatives and engaging intensely with them straight away.

The Convener: However, is it not a source of regret that the prospect of many hundreds, if not thousands, of skilled jobs that arose from the proposal by Cluff Natural Resources has, at best, been put on the back burner for the time being?

Fergus Ewing: I thought that we did not want to debate wider energy issues today—that was your admonition at the beginning.

The Convener: It was a specific proposal to create jobs in the vicinity of Longannet—

Fergus Ewing: In several years' time. With respect, I am afraid that that is where you are wrong. Let us assume that you are correct and that the project should proceed. We have made our position fairly clear on the moratorium on underground coal gasification and hydraulic fracturing. I will not rehearse it right now, because I think that it is well known.

However, even if the project were to proceed, those jobs and opportunities would not emerge for several years. What the task force needs to do, as I think you said a moment ago, is to deal with the immediate shock to communities, individuals and companies. That is one of the purposes of the task force. It is quite right that we debate wider energy issues or, as Mr Boyd indicated, wider economic and energy policy issues, but they are not the focus of what we do in the task force world.

The Convener: Okay.

Councillor Laird: Fife is absolutely open for business and for high-quality jobs. That has already been demonstrated with some of the employers that we have been talking about today. However, we are trying to look ahead and be proactive—that is why we are investing in the Fife energy park, because we have ambitions for Fife. A number of key projects are already emerging there, all of which take time to nurture and develop.

The key point that we have to address is the balance between attracting inward investment and growing our own indigenous businesses. We need to ensure that we have the right infrastructure, skills and workforce in place to help support those. One issue that the Longannet task force has recognised is that there are not enough small incubator growth units in the area.

It is not just about addressing the problems that are emerging out of the Longannet situation. It is about looking at the situation more broadly and asking how we make sure that the economy is set up better for the future. It is about taking the opportunity through the task force to do that.

To go back to the convener's point about Cluff Natural Resources, our planners had a dialogue with Cluff but I am not aware that there was a specific proposal. As a council, we have to balance the needs of business and the environmental concerns of the community. Until we have matched up all those parts and done due diligence, it would be premature to be welcoming anyone.

Stephen Boyd: I agree with the minister that the choice is not as stark as was presented in the convener's original question. I also agree with the minister that the work of task forces can be tremendously helpful in understanding local supply chains and the nature of the local economy.

I am concerned about what we have been dealing with in Scotland over the past year and the number of losses of large-scale workplaces in a productive sector and what that means for national and local economic resilience. Lesley Laird used the word "resilience" and it is a good way of positing the questions that we are dealing with. Unless we manage to replace that kind of industrial capacity, local economies will suffer. One of the stark lessons of Longannet is about the scale and nature of the local supply chain. Of course we should be doing all that we can to nurture local small businesses, but local small businesses rely on large-scale productive workplaces to support local demand and local supply chains. Unless we manage to replace that scale of workplace, I have concerns about the

trajectory that some of our local regional economies are on at this time.

Danny Cusick: To add to the comments of Councillor Laird and Stephen Boyd, I think that it is about looking at both strands. It is about building the capacity and capability of companies that are already in the area and trying to make them as internationally competitive as possible, while also pursuing any opportunities that arise from strategic assets or propositions to attract companies from other parts of the UK or other parts of the world to Fife and other parts of Scotland. Those strategies are happening. They are complex and difficult and, as the minister alluded to, they take an enormous amount of time.

However, that does not prevent us from looking at ways to promote and sell Scotland as a viable place to do business. As you know, our track record on that has been second to none. Outside of London, we are able to attract the most inward investment of any region of the UK and we have done that for several years in a row. That focus will not diminish and will still be very much part of our on-going plans.

The Convener: We are at the end of our time. As there are no members who are desperate to ask a final question, we will draw a line under the session now. I thank the witnesses on behalf of the committee for coming along to the meeting. It has been an extremely useful session for the committee in helping us to understand the work of the task force, and clearly we wish you well in your endeavours. We will move into private session.

11:30

Meeting continued in private until 12:00.

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