



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 24 March 2010

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ECONOMY, ENERGY AND TOURISM COMMITTEE
11th Meeting 2010, Session 3

CONVENER

*Iain Smith (North East Fife) (LD)

DEPUTY CONVENER

*Rob Gibson (Highlands and Islands) (SNP)

COMMITTEE MEMBERS

Ms Wendy Alexander (Paisley North) (Lab)

*Gavin Brown (Lothians) (Con)

*Christopher Harvie (Mid Scotland and Fife) (SNP)

*Marilyn Livingstone (Kirkcaldy) (Lab)

*Lewis Macdonald (Aberdeen Central) (Lab)

*Stuart McMillan (West of Scotland) (SNP)

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Alex Johnstone (North East Scotland) (Con)

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

David Whitton (Strathkelvin and Bearsden) (Lab)

*attended

THE FOLLOWING GAVE EVIDENCE:

Paul Docherty (British Council Scotland)

Alasdair Kerr (Scottish Chambers International)

David Lonsdale (Confederation of British Industry)

Iain McTaggart (Scottish Council for Development and Industry)

David Smith (Scottish Development International)

Boyd Tunnock (Thomas Tunnock Ltd)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

Committee Room 3

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 24 March 2010

[The Convener opened the meeting at 09:33]

International Trade Inquiry

The Convener (Iain Smith): Good morning, colleagues. I remind everyone to switch off their mobile phones: do not just switch them to silent mode, because they can still interfere with the sound system, and the man with the headphones does not like that much.

Welcome to the 11th meeting in 2010 of the Economy, Energy and Tourism Committee. Our main item of business today is to start taking evidence in our inquiry into the public sector's support for exporters, international trade and the attraction of inward investment. Before I welcome the panel, I draw members' attention to two items in my entry in the register of members' interests. First, from 10 to 17 October last year, I was part of a cross-party delegation of members of the Scottish Parliament that visited the Republic of China, which is better known as Taiwan. The visit was paid for by the Taipei Representative Office in the United Kingdom. Secondly, in December last year, I spoke at a business forum in Malta. The visit was paid for by EMCS Consulting Group, which is a business and information technology consultancy and conference and events organiser that is based in Malta. I intended to declare those interests even before this week's events at Westminster.

At this morning's round-table session we will, as an introduction to our inquiry, hear from a representative group of people who have an interest in the international trade sector. I hope that the session will highlight some of the key issues that the committee needs to explore. I ask members of the panel to make brief opening remarks that focus on the questions that will be the hub of the inquiry. Why does Scotland appear to do less well at exporting than it should, given the nature of the Scottish market? What can we do to address those issues?

Iain McTaggart (Scottish Council for Development and Industry): Good morning. The Scottish Council for Development and Industry has a long-standing interest in international trade—this year is our 50th anniversary of taking trade missions to overseas markets.

We remain keen to see Scotland do well. Scotland has done well. In the past, at the height

of the electronics boom when our manufacturing exporters were successful and we were a particularly successful nation, we exported more per head of population than countries such as Germany and Japan. The world around us has changed; emerging markets have opened up rapidly, and everything is highly competitive. One of our key aims is to broaden the base of businesses that are interested in broadening their horizons to become international players. The agencies that are involved are already doing much good work. It is a question of helping everyone to galvanise their efforts, so that we can make a step change in our approach to international trade and investment.

Paul Docherty (British Council Scotland): Good morning. I am the director of the British Council Scotland. I thank you for the invitation to be here. As the convener and members of the committee know, the British Council's core purpose is not export promotion but cultural relations—building trust and engagement between all parts of the UK and countries overseas. However, because the interventions that we use are education and culture, there are inevitably many spin-off benefits. It may not be our core purpose, but we are happy to have spin-off benefits in educational and cultural exports. Compared with other parts of the UK, Scotland is not doing too badly in respect of educational exports. We will do whatever we can to ensure that Scotland's distinct offer in that area continues to perform well for it.

David Lonsdale (Confederation of British Industry): I endorse almost everything that Iain McTaggart said in his introduction. In our written submission, we set out some previous Confederation of British Industry research that suggests that, although there are good examples of Scots firms doing well overseas, we need many more to do that in the future. As Iain McTaggart said, these days there is much more competition. In recent weeks and months, given the downturn in the economy, many other nations around the globe have been looking to exports to pull them out of recession and into a stronger recovery. We may come on to that later.

David Smith (Scottish Development International): Good morning. I welcome the inquiry and the opportunity to participate in this morning's session. International trade and foreign direct investment are of critical importance to the future of the economy. Over the past year, we have given substantial support to more than 1,000 companies and have operated more than 60 trade delegations to major markets. With funding from UK Trade and Investment and through the work of the SCDI, we have supported further trade delegations on a cross-sectoral basis to fast-developing markets. Based on the feedback that

we have received from companies, this year we are on track to generate about £300 million-worth of sales opportunities for Scottish businesses that have participated in the trade-mission programme. We focus on trying to generate more opportunity; that is substantially what we are about.

I hope that it is evident from the substantial submission that we have made to the committee that we take an evidence-driven approach. We listen first to customers to establish what type of support adds the greatest value to their efforts to internationalise. We focus substantially both on helping Scottish companies to take advantage of opportunity and on helping to de-risk the challenge of further internationalising their businesses. As a number of submissions have pointed out, trade can be challenging, but it can also be rewarding for Scottish companies in terms of the returns that it can bring to those companies and to the economy overall.

We also have a strong customer delivery focus. I draw the attention of the committee to the Scottish Development International channel on YouTube—SDItv—which features more than 100 testimonials from customers, and promotional case studies that highlight what we are doing to raise the profile of Scottish businesses overseas and to make things happen for them.

Research and feedback are important to us. We continually undertake research and act on the feedback from it in order to improve and enhance the quality of support that is on offer.

Seeking out opportunities for Scottish companies and supporting them to secure opportunities from global markets is extremely important for us. In that regard, our overseas offices operate as a focal point for opportunity generation in order to support trade. We have incubation offices to enable Scottish companies to set up operations and have a soft landing in foreign markets, particularly in the USA in cities including Boston, Houston and San Jose. In Paris, we have co-located with the Scottish Salmon Producers Organisation in order to stimulate and foster more trade.

We are about making it happen for companies and taking them to where opportunities exist around the world and supporting them in that. Our work does not revolve around the centres where we have our offices; we take trade delegations to trade conferences, such as this year's global system for mobile communications conference in Barcelona, in which around 20 Scottish companies participated.

I am supportive of the comments that have been made about raising the ambition of the Scottish company base and further equipping Scottish companies to take advantage of global market

opportunities. We are continually considering ways in which we can do that and expand the provision that exists to help us to do that, including the intelligent exporter programme, which is run jointly by Scottish Chambers International and the SCDI and makes more provision for that kind of support.

Alasdair Kerr (Scottish Chambers International): I am the managing director of Scottish Chambers International. The chambers in Scotland have authority vested in them to provide documentation and certification services. Businesses that are exporting goods come to us for certificates of origin. We work closely with the international trade group in the British Chambers of Commerce and have access to all of its data and strategy, as we are an accredited chamber.

We are on the front line. We know daily what Scotland's business performances are, what the values are, and to where the goods are being transferred. That is extremely valuable information.

The theme of today is working in partnership to help Scottish businesses. We can provide additional services around the provision of technical support and training to existing and new exporters. We see it as absolutely crucial that Scotland raises its ambition and accesses new and emerging markets.

I hasten to add that there is some exceptional performance among many Scottish businesses. It is easy to talk our success down, but we undoubtedly need to help the wider business base to realise the opportunities in new markets.

We very much endorse the partnership approach and welcome the opportunity to contribute today.

Boyd Tunnock (Thomas Tunnock Ltd): I am the managing director—or boss, as they call me at home—of Thomas Tunnock. We make caramel wafers and teacakes. If you have not heard of us, our advertising has failed.

We have quite a good export base. Last year, it rose by 25 per cent, although 10 per cent of that is due to our putting 10 per cent on the price. We had 15 per cent growth, which was great, as the home market was flat. Only a week ago, however, my son-in-law said, "We're doing well in Saudi Arabia, but I don't think you're getting enough money for what you're selling them." I said, "Okay, we'll look at the costs," and I found out that we are doing better selling to Saudi Arabia than we are doing selling to some of the big supermarket groups, which is encouraging.

09:45

In the old days, our Intervention Board for Agricultural Produce repayments could come to

£150,000 a year, which was good. However, that has all disappeared, and we have had to adjust our prices to suit.

We are in about 30 countries. Saudi Arabia is the biggest of those markets, but we are also in Kuwait, Bahrain, Trinidad, New York and various others. Last year, we exported about £5.75 million or so, which was not too bad. It kept us going.

The Convener: Thank you for those opening remarks. I will lead off the discussion—anyone who wants to contribute should feel free to do so, but please do not feel that you have to do so if you have nothing in particular to add.

One of the issues that has come out of the evidence that we have seen already—and which we were aware of through previous anecdotal evidence—is that many Scottish companies are not focused on the opportunities that might arise from exporting. For example, CBI Scotland says:

“businesses in Scotland (75%) are the most likely in the UK to sell the majority of their goods/services within their own region.”

Furthermore, surveys that have been conducted by the Institute of Chartered Accountants in England and Wales show that Scotland scores badly in terms of globalisation, compared with the rest of the United Kingdom. Why is that? Is there a mindset issue? Is it to do with the size of Scottish businesses or a lack of support from the public sector or other organisations?

Alasdair Kerr: Very often, it is to do with a lack of confidence and a fear of the unknown. It can be to do with finance, because accessing new markets is not cheap. There are issues around sourcing partnerships and joint ventures in various countries, the extent of market research, technical knowledge, and the skills base that will enable companies to achieve their ambitions in those markets. We have a communication message to get across and we need to build a resource that can provide the skills base for Scottish companies to access those markets.

David Smith mentioned the intelligent exporter programme, which is a significant European structural fund priority 2 application that SCDI, SDI and SCI have pulled together. It is specifically designed to communicate the opportunities to businesses and enhance the skills that will ideally lead to them becoming the Tunnock's of the future. That is absolutely crucial and fundamental to what we should be supporting Scottish businesses in doing.

Iain McTaggart: I agree with Alasdair Kerr. I think that something is missing from the early stage that would excite the appetite of small businesses. We often talk about the barriers to exporting—there is no doubt that they exist—but we often witness small companies suddenly

becoming global players because they take opportunities and get out into other markets, which helps to build their confidence and enables them to get to know the networks that can support their ambitions. We have to unlock that interest early and demonstrate to quite small companies that if they have the right product and service they can make it, and that there are people around who can help them.

One of the issues is the need to galvanise public and private sector support to make the process as seamless as possible. Sometimes companies do not know or care who is helping them. However, if they can tap into something that will help them to move up successive rungs of the ladder, they will continue on that journey.

The issue is about confidence and changing mindsets. As young managers come into the workforce, they should from the start, irrespective of whether they are going into companies that are global players, be developing a global mindset. Companies that operate in the Scottish market are susceptible to global influences as well, so we need to get that embedded in the psyche.

Gavin Brown (Lothians) (Con): On that specific point, the answers that we have received explain why some companies do not look globally—a lack of finance, confidence, their skills base and their appetite in the early stages. Why is there a difference in performance between Scotland and some of the regions south of the border, which were referred to in the convener's question? I am not sure that the reasons that have been given so far explain why there should be a difference between the Scottish performance and that of some of the regions south of the border. Do you have any thoughts or views on that?

David Smith: That is a fairly complex question and there are a number of factors that we must take into consideration. One of those is the company base that we have in Scotland and the extent to which we have global competitiveness in certain sectors or subsectors of the economy. As Alasdair Kerr said, we have some terrific performers in certain sectors or subsectors, some examples of which we have highlighted in our written submission. One of those is the oil and gas services sector, in which we are doing terrifically well. We need to take into account the shape and scale of the company base. We believe that it is important for us to concentrate some of our efforts on trying to grow the company base and increase the number of companies of scale in Scotland that are capable of competing in global marketplaces. That is why there is a considerable amount of focus—in both the public and private sectors—on the provision of support to increase the number of companies of scale that we have operating in overseas markets. That is one factor.

Foreign direct investment will play an important role in some of the strong exporting sectors in the Scottish economy, such as parts of manufacturing, the chemical sciences and the food and drink sector. The input of foreign direct investors into the economy through our export performance is extremely important. Part of the answer will be to attract more of the right kind of foreign direct investment, which will add to our stock of companies and increase the competitiveness of the Scottish company base.

It is also extremely important that we do more to commercialise the knowledge that we gain through our research and development capabilities. We have world-class science and research in Scotland, but we have pretty low levels of business expenditure on research and development. We must do more to exploit our research and development capabilities by taking that activity out into global markets and gaining more economic return for Scotland from it. A good example of that is the work that we have been doing in conjunction with the Scottish academic health sciences collaboration—work with Sir John Savill's organisation that is being led with the national health service in Scotland in the major universities and teaching hospitals. We managed to attract substantial interest from Wyeth and, subsequently, from Pfizer, which took over Wyeth. Somewhere in the region of £70 million has been invested in programmes for commercialising Scottish know-how. The challenge for us will be in accelerating that commercialisation of the R and D base and exploiting the economic advantage from that.

I agree with the comments that have been made about leadership and the importance of equipping the leaders of Scottish business. There is a job to do in overcoming some of the psychological blocks to having the entrepreneurial spirit to go out and seek global markets and opportunities. We have some fantastically successful business leaders in Scotland, and we must do all that we can to share their knowledge, experience and ambition with a wider range of business leaders. More sharing of best practice would be helpful in that regard.

There is also still a big job to be done in education, for which substantial resources are required. We work with partners such as UKTI and the people around this table to raise awareness of the opportunities that exist in overseas markets. Hand in hand with that, we must ensure that we de-risk the process of Scottish companies entering international markets by supporting them appropriately so that they can accelerate their growth in those markets.

The Convener: You said that one of the reasons why we do not do so well in exporting is

that we do not have enough businesses of scale. What about the alternative argument, which is that the reason why we do not have enough businesses of scale is that we do not do enough on exporting? Which comes first?

David Smith: That is a great question. They are interrelated and I am not sure that one comes before the other. We will get more companies of scale by doing all that we can to help the companies that have global competitiveness—the ones that are at the cutting edge in comparison to competitors in global markets—to accelerate their growth. That means supporting them to get out and take advantage of more opportunities in global markets wherever we can.

David Lonsdale: I have noticed that many of the new member companies that the CBI has attracted over recent years are born with a global mindset. They may be supplying Governments, so supplying one Government or a couple on these isles will not be sufficient for their growth appetite over the years, or they may be in a particular type of technology that lends itself to the global marketplace and international opportunities. That was teased out in SDI's written submission. I have noticed that companies are now more often set up by people with good experience; they have been in other small and medium-sized enterprises that have grown, or were in corporates and have set up their own businesses. They generally have a much wider outlook than other companies that have done well and, for whatever reason—perhaps because the British or Scottish economy is not growing particularly quickly—now seek to export.

Perhaps Boyd Tunnock or one of the other witnesses has a view on that. I do not know whether Tunnock's started off as an export company. I do not know it that well, other than through eating its delicious produce regularly, which may explain my girth.

I have noticed that many of our members are, by their nature, growth businesses and international businesses that are doing well overseas. Over recent years, there has certainly been a new cadre of people setting up businesses and the first thing that they think about is global opportunities.

The Convener: That is a direct challenge to you, Boyd. Why did you consider the export market?

Boyd Tunnock: We went into the export market in 1957. At that point, we were heavily into cakes and were just starting into biscuits. We were using a lot of synthetic cream and bought it from a firm in London that was part of the Unigate organisation. My father asked Peter Saunders, the chap who was supplying him with 1,000 gallons of synthetic

cream a week, "Now, can you not sell some of our biscuits in London?" Peter Saunders said, "Aye. Give us 500 cases." In those days, Unigate Dairies had 1,000 shops—just dairies—in London and that was only half a case each, which meant three boxes to each. Peter Saunders said, "Well, give me 1,000." It went on from that. Unigate got us into export practically right away because it was exporting its cream products abroad.

In 1968, McKinsey came in and said to Unigate, "All these peripheral ideas—get rid of them. They are no use. You are not making money off them." We were advised to take some of Unigate's people, which we did, and we started an office in Ealing. Since 1968, we have been doing our own exporting.

Exporting to Saudi Arabia started in through Beirut. The exports used to go overland to Saudi Arabia on an open truck. In the early days, when my father was on holiday in Cyprus he went to Beirut and saw the products getting loaded on to a truck. The sun was belting down and they must have been melted. The Saudi Arabians must have thought that we were very clever if we could put a biscuit inside liquid chocolate unsealed and it got there in a reasonable condition.

The markets are developing. However, the thing that disappoints me is that, although we have gone to the ISM in Cologne for many years and have tried having a German agent and a stand in the German sector, we cannot break into the continent at all. We are doing very well in the middle east, but the continent seems to be a barrier. However, I suppose there are not many continental biscuits here, either, apart from Bahlsen and some other big guys, and even they are not here in large quantities.

10:00

We are doing very well at what we do, though. For example, Gardiners of Scotland from Lesmahagow is a small firm with 25 employees, but it has a huge export market. On Monday, when I was up in Arbroath on holiday, I visited the Mackays jam company, which is doing very well in exports and is extending its factory. We can do it if we try.

This year, we are spending £4 million of our money—not a bean from the Government; okay, the Government did not take the tax away. We have spent £2 million on a Swiss wrapping plant that has 600 caramel wafers going down the line, which then turn at a right angle and go into a store. We have done that for the past 10 years, but the line that we had previously was not as efficient, so we spent £2 million on the number 1 in the world, which is made by Bosch-owned Sigpack Systems. Even though we bought the best, we

had to kick that company's butt and get on the phone to them to get them to do it right. I was not getting satisfaction, so I sent an e-mail to the managing director. I do not do e-mails, but I write them out and somebody else does them. I said, "I'm needing a chap over here because, when the box comes out of your machine, we're getting static electricity shocks, and I've spent £2 million with you." The reason why I did that was that the guy was supposed to come on the Tuesday and we got a phone call on the Thursday to say that he was going elsewhere. However, I knew that they had 750 engineers in Switzerland, so I got on to the managing director, things happened and—bang—they came. They organised the line and what have you, and it was fine.

We are putting in another £2 million for a robotic line to pack teacakes. We have one just now that you will see on a television advertisement now and again, putting teacakes into boxes. That is an Italian one, but the next one is a German one that is number 1 in the world. Only by investing heavily in new plant can we compete. I mean, I should really have a house in the south of France. I am 77 and should be retired. However, I go into work every morning at 6 o'clock, and I enjoy it. I am only 350 steps from the factory, and I sit in the canteen with the people and talk to them—"How's your son doing? How are you getting on?" We still have strikes, though. However, this year is our 120th anniversary, and we are having a party in the Hilton hotel in Glasgow for as many of the 550 staff as can go.

You have got to get in among it. I must say that I have not had much contact from our friends around the table—we have managed ourselves. However, for emerging markets, I want these guys to come and tell me how to go into the likes of China, which must be a good market. I do not know how to do that. It is quite easy with the Saudi Arabians. I phone the guy up there directly. That seems to work—end of story.

Paul Docherty: I can give an example from the area with which I am most closely involved, which is educational exports. It is perhaps a partial answer to the question, or at least it shows the direction in which we might find the answer. It probably comes down to the quality of the intervention. Our feedback shows that a good example is the college sector in Scotland. Many in the sector have similar questions—"How do we get into China? How do we access these markets?" The British Council has the contacts on the ground, with local staff in 110 countries around the world. Our staff are often more specialised in the area of education than are our UKTI colleagues in the embassies. There are two questions here. How is the UKTI support mechanism accessed? Once it is accessed, what level of support is given?

We have had feedback from the colleges in particular. A good example is Anniesland College, which has been doing fantastic work in the Palestinian territories that has been to the benefit of Scotland and the college. However, the college told us that it would not have done that work if we had not been with it every step of the way. We have just finished another mission to Wuhan in Hubei province in China. We took representatives from five colleges and five universities in the creative industries, which is one of the Scottish Government's priority areas. We made lots of introductions, and I am happy to say that eight of the 10 have promising leads to follow up.

The trick is perhaps to ask particular questions. What kind and level of intervention should be made? What sort of investment must be made to smooth the way for the exporters? At what point do we step back and tell the exporters that they are on their own? I do not have the answers to those questions, but maybe there is something in the quality of the intervention, having the people on the ground and having a support mechanism available. We have the contacts, we are there for the long term and we can really help. The institutions that went to Wuhan in Hubei had never thought that they could go to that part of China, but eight out of 10 of them have come back saying that they have promising leads that they are very interested in following up.

Stuart McMillan (West of Scotland) (SNP): I want to go back to Mr McTaggart's point about equipping managers with global experience. When I was at university, I studied European business with languages, and I went to France and Germany to study the languages. Very few Scottish students study languages and very few are prepared to go and study in a foreign country, even if only for four months, six months or a year. I am well aware that not all those who are successful in business go to university but, in the grand scheme of things, probably more go to university than do not. How can we change the mindset of people in Scotland who are going to university or who are thinking about going to university and get them to consider the global aspect, instead of opting for a course of study for the full four years of which they will be based in Scotland?

Iain McTaggart: You mentioned language learning. There is almost a crisis in language learning in our school system in Scotland. I say that as someone who has studied languages and who knows how it broadens one's horizons and opens one's interest in exploring opportunities outwith one's home territory. Embedding in people who are interested in entering the business world, in whatever capacity, an idea of the global environment in which they would operate and the opportunities that that would bring them should be

firmly on the agenda at all levels of education. I advocate finding ways of helping those young people who want to learn languages to do so, because there is no doubt that it helps—it is an added string to one's bow in international business. That does not mean that everyone needs to have that skill, but it is helpful in upskilling our offering to the rest of the world.

To a degree, it is a cultural issue. To return to Gavin Brown's question, this may be an anecdotal observation, but when we go to overseas countries, we often hear that not just Scotland but the UK is lagging behind, in the sense that it is late to identify opportunities, particularly in comparison with our European competitors such as France, Germany, Italy and Scandinavia. I do not know whether being complacent is something to do with our cultural make-up, but we cannot afford to be complacent in this world. We need to highlight opportunities to UK and Scottish businesses and to help them, as my colleague Paul Docherty said, with the right interventions that can reap returns.

We receive trade mission funding from UKTI through SDI, which amounts to £50,000 per annum. That covers our costs as well as contributions to all the companies that participate. In the past year, the companies that went through that programme reported the prospect of £3.2 million of business arising from that, which represents a good return on the investment, if the right intervention can be found to help companies.

I am diverging a bit, but another issue on the cultural front is how core international trade and investment is to our economic strategy, even at UK level. UKTI has been battered about quite a bit and subject to change—ministerial change and budget cuts. Perhaps there is an opportunity for Scotland to ensure that international trade and investment are at the core of our economic strategy.

David Smith: It is tremendously important that we have the right kind of role models for young people to look up to and relate to. We can do more collectively to celebrate and highlight the success of individuals such as Fraser Doherty at SuperJam who are successful in business and in entering global markets and who are role models for young people. It is about increasing the profile of the role models who are around and helping young people to learn and get excited about the success that individuals and companies in Scotland are having.

To pick up on Iain McTaggart's point about the provision of support, it is important that we do all that we can to declutter the landscape, while keeping support mechanisms and interventions available in the marketplace and maintaining constant levels of support. We have evidence that companies get concerned if there is a lot of change around support or if they find it difficult to

understand how to access support, so we should continue to make it easier for companies to access the help that is available from public and private sector agencies. For example, we have done a lot of work with the business gateway. The provision that is now available on the business gateway website in terms of the different types of support that are available and how companies can access such support has been enhanced substantially. We are doing the same thing with the support that is available through STI, Scottish Enterprise and Highlands and Islands Enterprise.

The point that has been made about partnership is tremendously important. If we can all do more to align our efforts and bring to bear, in a co-ordinated and concerted way, the various support mechanisms that are available to help companies, that will go a long way to enhancing the overall support provision that is available for companies and will take away some of the potential barriers or risks that companies perceive there are in doing more international trade.

Stuart McMillan: Education is vital if we are to make substantial progress in years to come. When I went to school, we had to learn a language when we went to secondary school, whereas languages are now being taught in primary schools. I hope that in due course that will be successful—I am convinced that it will be—and that young people will grow up with a more global approach to life, rather than with a narrow focus as was the case when I was growing up. I appreciate that the situation will not change overnight, but there will be benefits in due course, although it might take a few years for that to be proven either way.

Boyd Tunnock: I have a grandson who is 25. He spent four years at the University of Glasgow and came out as a graduate engineer. He was fortunate enough to get a bursary to go to the University of Cambridge. He had tried to get jobs previously but, when he came out of Cambridge after a year, he went over to China for a couple of years on a mission and what have you. He is a very forward-looking guy—he is my eldest daughter's son—and he is now working for a large company. I will not name the company, but it is going to Poland and taking a lot of its products out there. Its main base is in Bristol and its account lines are going from Bristol to Poland. He is in one of the teams that is taking one of the account lines out there. He is getting great experience and I feel that he has got what you say: he has the get up and go to get out and go to a big company. He has never said that he would like to come back and work for me, although he is coming to see us tomorrow, but that is by the way.

We all learn from experience. I spent five years as a baker's apprentice and then the Queen sent me a wee letter—I thought that it was from

Buckingham palace, but it was from the Army. I spent two years of national service in the catering corps and I came out having been a cook sergeant for the previous six months. I came home with the skills of a baker and a cook, so my father said, "Look after our machines." I was into engineering and my love is now mechanical things.

Basically, I think that you are right that youngsters can learn another language more easily. Language is a real boon. All that you hear about is young people going to university to learn things so diverse that they seem to have come out of the sky, but languages are important. It puts us to shame when people come here from abroad, from places such as Switzerland, and speak five languages. We need to get out there. The Scots were recognised for that in Canada and America and so on—we have built gardens all over the world for people. In the past, many of our people went to Australia—perhaps for the wrong reasons, but they are okay now. The thing is to learn and to get on with it.

10:15

We get people coming in from schools for a week's training. That is a great thing for letting them see what is in the factory. In the summer, we get 20 or 30 students coming in to work in the production lines to see what it is like. They can be insulated from the realities of getting up to be on the spot by 7 in the morning. Until last year, we had a four-minute moratorium, whereby people who came in up to 4 minutes past 7 were still considered to be on time. My daughter said, "That won't do. We need to get back to 7 o'clock." We negotiated with the union, and we have now agreed that, if you are not there at 7 o'clock—bang—you are quartered.

I have based my thinking on the following. I have been 29 years in this spot—my father died 29 years come the fair, but he left me some money in the bank—and I have managed to keep some money in the bank to keep the business going. I have managed to keep people employed, but my job is to employ as few people as possible while making as much as possible. However, I cannot make anything without people, so any help from the Government is useful.

Thirty years ago, if we bought a new machine, we got 22 per cent back in development grant—I thought that that was so simple. Today, I get money from the Government only if I employ people. I want to employ fewer people. With the machines that I have put in, I will employ 10 fewer people on the day shift and 10 fewer people on the back shift. However, I will still keep the other 500-odd in business. We need to do that and we need to look forward. We have also got to encourage the young.

The Convener: From the British Council point of view, do young Scots take full advantage of the opportunities that are available to learn new languages through, for example, exchange visits?

Paul Docherty: The figures for Scotland are relatively encouraging compared with those south of the border, but there is not a lot in that as both figures are very low. Languages are a big issue. Perhaps by starting languages in primary school, we will come good in time, but teacher supply and the quality of the language experience can also be an issue.

We know that our Confucius hubs for the teaching of Chinese are working relatively well. The children who are involved in those are very enthusiastic. For that to happen, I think that there is a need for serious support from Government and other organisations. However, I can understand perfectly well that, if one of COSLA's members, for example, needs to consider budget amendments—I will not use the word “cuts”—support for languages might well be one of the services that tend to go.

I do not know how languages could be moved higher up the priority list, but achieving that might put us in a better position for the future. However, a lot of support would be needed. There is a lot of rhetoric about the need for languages and how they are a good thing, but that rhetoric is not always backed by action.

David Lonsdale: That is a good point. Obviously, the flip-side of supply is demand. As this conversation has gone on, I personally have recognised that business needs to be more articulate about what types of languages it needs. Increasingly, many of our firms either already operate in China or the emerging markets of the far east or want to enter those markets. As members will have seen from the data, that is where the real growth is at the moment. I think that business has a responsibility in that regard.

For example, I do not know whether someone with language skills is likely to earn more in the marketplace. One often hears that those with science, technology, engineering and mathematics—STEM—skills have higher wage rates. Is that the case for those who have language skills? I personally am not aware of that, but there may well be data on that available. Language skills need to be important to everybody not just to those who become MSPs and so on.

Some good projects are on the go to encourage young people in business to go out into the world. For example, SDI and others run the saltire scheme. On role models, I do not know all the global Scots, but I presume that they have a rich diversity of language skills. We might discuss them later, but it might be that we can do more to

highlight their successes and the benefits that experience and knowledge such as theirs can bring.

Rob Gibson (Highlands and Islands) (SNP): We have been talking about how we do business abroad, and Boyd Tunnock talked about what I would call fortuitous connections that have led to better things. I am interested in the ability of people who export from Scotland to make partnerships with companies abroad that wish to import here. The first issue is whether that is a better way to do business. Trade is obviously a two-way process. Can we open doors in a better way by looking to people who can supply things that we do not have while we are supplying them with things that we would like them to have?

Alasdair Kerr: That is crucial. If we make high-quality introductions between businesses that have synergies, we have a far better chance of converting the contact to a sale and economic impact. Again, we can talk about a partnership approach to that. As part of the worldwide network of chambers of commerce, we receive inquiries every day from businesses abroad and Scottish businesses that are looking for joint ventures or partnerships. That is increasingly the way in which business is being done.

However, I offer a word of caution. In many cases, we do not know who is on the other end of an e-mail. It is essential to have people on the ground in new and emerging markets who can vet inquiries so that we know that they come from bona fide companies that pay their taxes, have no outstanding issues, and have a good reputation. The networks in Scotland know what our high-quality companies are and, in that context, businesses can grow quickly.

Another note of caution is that trading internationally is not the answer for all Scottish businesses. They must be financially strong and they must have the resources, the skill set, the team and the key managers to make informed decisions. They need a strong board, with strong non-executive directors. We have seen many cases in which businesses were given a contract opportunity and jumped in with two feet without seeking advice from intermediaries or partners. That can be damaging.

David Smith: I support the points that Alasdair Kerr made. When we take trade missions and delegations to exhibitions, partnerships happen on multiple levels. There are opportunities for the Scottish companies that participate to share their experiences and find opportunities to make partnerships together. We have many examples of Scottish companies that participated in trade missions with the principal objective of trying to get more business from global markets but which, through a process of discussion, formed bonds or

partnerships that enabled them to compete more effectively together and to get business from overseas markets.

We produce a directory of life sciences companies in Scotland and a directory of supply-chain companies in the energy sector, both of which are in huge demand when we are at trade shows and exhibitions. They give companies from around the world that come and visit companies on our stand an opportunity to understand better the opportunities that exist to form partnerships with Scottish companies. Those are just a few examples of the ways in which we can foster partnerships by taking an holistic, all-inclusive view of trade delegations and trade missions.

Rob Gibson: Oil and gas, clean energy and life sciences are global industries with huge opportunities. I am quite interested in how we project abroad, which brings in cultural diplomacy—I know what it means; Paul Docherty's organisation is heavily involved in it—as an aid to the process of selling Scotland the brand. I am also interested in knowing how you get into the media in other countries to spread the message. For example, sporting organisations do well by getting media coverage in other countries for a particular event; we might be surprised at just how much in some cases. Is business good at getting on to the business programmes on the television screens in countries that we are trying to sell into—without using direct advertising?

David Smith: There are a number of opportunities for us to raise our profile and use some of the channels that you suggested. Scottish Government and UK ministers help to raise the profile of Scottish trade delegations, particularly in some of the fast-developing markets.

We also work with companies to generate as much excitement and publicity around trade delegations as we possibly can. It sounds slightly trite, but whisky receptions are a great way of drawing in large crowds at major overseas trade shows and exhibitions. We use them to great effect at trade shows such as the offshore technology conference in Houston. We participate in trade delegations and shows all round the globe, particularly in some of the fast-developing countries and economies. That type of situation is a great opportunity to cross-sell and relate some of our strong attributes from a Scottish perspective. We are always looking for opportunities and ideas to gain a cutting edge over global competition, and to raise the profile and capabilities of Scottish companies.

The Convener: I was at the Beijing trade exhibition with SDI last October and I can confirm that a whisky reception attracts a crowd. It helped to have the bagpipes there, it has to be said.

David Smith: Thank you for mentioning that, convener. Using the bagpipes is another regular technique.

Paul Docherty: Rob Gibson is right to mention diplomacy and getting into the media. My experience of spending many years working in various countries overseas is that Scotland the brand is extremely strong. People already know about the bagpipes and whisky, which gives us a fantastic platform from which to operate. It is a far better platform than England or other parts of the UK have. I am not sure how we convert that advantage and the strength of the brand to get across some of the additional elements that we are interested in telling people about, but I am sure that working through the media is one way.

In the area in which I work—education and culture—we have very little problem with culture. It is usually relatively easy to get a particular cultural export into a country. “Black Watch” is probably the best example of that. It was a fantastic product from Scotland and there was no problem at all with getting it into the media, which really helped. People come, and they know about bagpipes and whisky—they might have one in the interval—but they also see something of cutting-edge Scotland and the creative energy that we have in this country.

I am not sure what the answer is, but we should start from the understanding that we have a very strong platform from which to operate.

David Lonsdale: Last week, our members had a round-table discussion on China. The director of our Beijing operation was in Glasgow and Edinburgh for a couple of days. Several people around the table mentioned their perception that other countries are better at this, although I am sure that David Smith and others might have a different point of view. Our Government and other Governments often go out and sign some sort of agreement or memorandum with, for example, China or provinces within China, but some sort of momentum needs to be kept up thereafter. Whether we are talking about sport, culture, music, business or other links, the perception is that other nations, particularly those in western Europe, are just better at that and put more time into doing it.

10:30

Having visitors such as Lord Mandelson, the Secretary of State for Business, Innovation and Skills, was regarded as really helpful, partly because he had been a European Union trade minister and was well known to some of the key players over there. A theme that emerged from our discussions last week was whether we do enough of that. I do not know whether David Smith and

others would endorse that. As we say in our written submission, business regards visits from ministers as quite a positive thing, whether they are simply opening Scottish companies' offices overseas or getting stuck in, rolling up their sleeves and helping particular companies. I do not know whether there are more ministerial visits overseas now than there were in the past or whether, given the fluidity of the political set-up here at Holyrood, where there is not a governing coalition, ministers need to spend more time here, but from our members' point of view it is a positive thing and if there could be more visits from high-profile individuals that would be good.

The Convener: The journalists who work for the Sunday newspapers probably know the answer to that.

Iain McTaggart: I endorse David Lonsdale's comments. It is very helpful to have ministers and other significant players leading overseas delegations. That attracts attention and provides a welcome opportunity to cross-sell and talk about the Scottish tourism product, education and culture. There is quite a helpful resource in Scotland in terms of overseas countries having a presence or a consulate here. The Chinese consulate is keen to engage with us all and there is a Taipei representative office, as well. We have links with significant agencies in the UK such as the Hong Kong Trade Development Council, which is a powerful organisation, and the Japanese External Trade Organisation. We can tap into their advice and encouragement, and it is a two-way process, as you mentioned earlier. If they see some benefits for themselves, they will be more than willing to share their experience and contacts with us.

Lewis Macdonald (Aberdeen Central) (Lab): I endorse what has been said. As a minister, I led a delegation to China five years ago and was struck by how significant it was for the Chinese Government and the Chinese national enterprise agencies to know that they were dealing with the Scottish Government, not simply a business organisation.

I am interested in Alasdair Kerr's point about international trade not always being good for every business and the importance of having the right advice at the point at which an export opportunity arises. At the moment, many of our construction companies are struggling to maintain momentum in the domestic economy and are actively considering export opportunities. Where would such a company best turn for advice? Can you give us a sense of how the different public and private sector agencies ensure that the best advice is available at the most appropriate time? We have SDI, the enterprise agencies, the business gateway and UKTI as well as the private

sector business organisations, which all play an active role internationally. How does that work for, say, a medium-sized construction company in a Scottish city that is looking for export opportunities?

David Smith: I will explain how the support is provided and organised. First, the business gateway is a universal gateway or portal for information for companies across the sectors and the company base. Depending on the size and scale of the construction company, the starting point would be for it to contact the business gateway and take a look at the various levels of guidance and support that would be available to it.

If everything is working as it should, the company will be directed to further advice and support on the opportunities that exist in global markets. SDI might, for example, be able to provide direct support for market research in particular markets and support is available through UKTI to undertake more detailed market research, particularly in markets where there is no SDI coverage. If more specialist advice or support is required, we would seek to signpost that company or organisation to professional advisers, who might include members of some of the organisations around the table.

Lewis Macdonald: Is there not a risk that after going through those various stages the company might have lost the will to live or lost the chance to win a particular contract?

David Smith: I sincerely hope not. We are focused on ensuring that support is quickly put in place and is responsive. I am always interested in getting feedback on the few instances where we might not have been as quick as the companies would have liked so that we can improve or enhance support provision. It is tremendously important that we have clear channels and that we declutter the overall landscape to ensure that companies receive advice and support as quickly as possible.

Boyd Tunnock: Private traders like us are left on our own. We might join all these trade organisations, but we never get a circular telling us about, for example, opportunities in Beijing, New York or elsewhere. It would be quite good if our friends around the table could circulate that kind of wee note to people like me in all the relevant industries; in the food sector, for example, it would come to me, Walkers, Baxters and so on.

When you run your own company, you tend not to worry about other folk. You just get on with it. However, it is nice for folk to say, "Why don't you try this or that?" For example, when I take a lady or gentleman who has no idea of what we do for a walk around the factory, they might say, "Why are you doing it that way? Have you ever thought of

doing it some other way?" I say to myself, "No, that's the way we always do it," but when they go away and you try their suggestion you find that it works better. We all come into this world as babies, not knowing a thing. Life is a learning curve, and a wee bit of encouragement from the Scottish Government, the English Government or whatever would be a great help.

David Smith: That was a great piece of real-time customer feedback. My action from this session is to ensure that we get Boyd Tunnock on our mailing list and that he gets our circular so that we can raise his awareness of these things.

The Convener: To what extent do the SCDI, SDI and Scottish Chambers International react to people who come with inquiries and to what extent do you proactively go to companies and tell them about the opportunities in X or Y market?

David Smith: A terrific amount of what I would describe as demand generation activity takes place. For example, we hold what we call market awareness-raising sessions for our trade missions, not only to communicate to companies the opportunity to participate in those events but to ensure that we extend our reach as far as possible across Scotland and give those companies a better understanding of the opportunities that exist in markets. Of course, we carry out that work in co-operation with the agencies represented around the table this morning and UKTI. A good example of that kind of work was last December's Asia task force event, which gave 170 Scottish companies more insight into opportunities in the fast-developing Asian market. Partly because of data protection legislation and so on, we need companies to subscribe to some of the services, feeds, e-zines and newsletters that exist. Although we are doing all that we can to raise awareness and generate demand, we are also looking to get some demand in return from Scottish companies and a hunger to stay abreast of all the information and global opportunities out there.

Iain McTaggart: There are opportunities to be proactive. I am sure that we are all proactive in our own specialist areas. In the mid-1990s, we decided to encourage Scottish companies to look at opportunities in countries in central and eastern Europe that were about to accede to the European Union. At that time, there was not really a lot of publicity or encouragement. We took groups to seven or eight of the countries to highlight the fact that there might well be business opportunities from the enlarged market and that Scottish companies might be well placed for some of them. There are companies that have done business as a result of that. It is possible to be proactive at times, but I am sure that my colleagues around the table will agree that we all need to know what each other does to be able to signpost people

effectively. We cannot do everything or advise on every subject. If somebody had an export training issue, we would signpost them to the chambers, for example.

The Convener: Boyd Tunnock said earlier that there is a China market out there and asked how he gets into it. Has anyone asked him? Is he interested in the China market?

David Smith: It sounds like he is. We are out there through a number of different channels, including the media in Scotland and the various different market awareness raising events that we are undertaking. Based on the feedback from Boyd Tunnock, it sounds like nobody has asked him directly whether he is interested in the China market. As I said earlier, I am more than happy to take care of that as an action resulting from today.

David Lonsdale: The question is whether Tunnock's is account managed by Scottish Enterprise. There are other outfits, too. You have relationships with the China-Britain Business Council, which has an operation in Scotland and several operations throughout the UK. You mentioned the Asia task force event, which took place just before Christmas. I had sight of that, but only relatively late in the day, and I circulated the details to relevant members. There is an issue about co-ordination and whether we have a high-enough profile event for these kinds of opportunities abroad.

Lewis Macdonald: I am interested in the features that make oil and gas services such a hyper-export-focused industry. That sector seems extremely focused on export opportunities and, culturally, it has no difficulty in addressing itself to global marketplaces. Might aspects of the culture of that sector be applicable to other sectors? If so, what can the organisations that are represented here do about that in order to promote it? Stuart McMillan talked about growing up with a fairly narrow focus. For 40 years, the oil industry has had a global focus. People in my constituency in Aberdeen expect to work overseas as a matter of course. They are more likely to do that than to work in London or Glasgow. What is it about that global outlook that public and private sector organisations can take and apply elsewhere?

David Smith: The global mindset or culture has grown and strengthened over a 40-year period. It is particularly noticeable that the growth in international revenue that the oil and gas services sector in Scotland has achieved over the past 10 years has been dramatic. One of the lessons that I would take from that is that companies require a great deal of staying power to realise the long-term benefits of international growth and trade. Another point is that, over that 40-year period, we have grown increasingly globally competitive capability across the sector, given the number of

companies and the type of products and services that we provide in the global marketplace.

Much evidence shows that, the more companies operate globally, the more they learn and the more productive and innovative they become. The evidence from our research supports strongly the view that companies learn more and that they learn from competition and from fellow companies. In the process, we create a much stronger and more globally competitive cluster or base of companies.

10:45

Oil and gas service companies operate in more than 100 marketplaces and more than 2,000 companies are in that cluster. That shows that, when we are globally competitive, when we work together to take advantage of opportunities in international markets and when we do what we can to de-risk the growth of companies and the acceleration of growth, we can achieve much. A key point is that a fair amount of time is involved in that—we must stick at it and stay with it.

Lewis Macdonald: Does Scottish Chambers International or any other organisation that engages with the oil and gas sector have a view on the points that David Smith made? I am sure that he is right about the critical mass, but are other aspects of the oil and gas services business model more suited to exports and able to be usefully imitated by other sectors of the Scottish economy?

Alasdair Kerr: I am happy to respond. The beauty of oil and gas services is that they have worldwide applications. We have fed off that, for obvious reasons. A supply industry and skill base have built up around that. Scotland has done fantastically well and is to be congratulated on that.

A cluster approach is being taken to food and drink and our whisky industry has done well. Can we hold on to the coat tails of the whisky industry, from which we see examples of labelling and packaging? The food sector certainly has strong Scottish companies.

Renewables will be a key part of what we do and the life sciences sectoral approach is being successful. That model needs to filter down to the business base, too.

Lewis Macdonald asked about construction and building SMEs. Such inquiries are typical and are made daily. We can feed such firms into the business gateway and help them into the growth pipeline and up into account management in public sector services, if they fit into those categories, but they do not always fit. We need to design a mechanism whereby companies with

such inquiries can have a short, sharp fix and can access quality advice when they might have a contract in their hand.

The route to market for businesses is that their existing customers ask them to supply products in Germany or elsewhere—I enjoyed the description of the cream route to an export market. That is typical—a firm supplies a company in the UK that asks it to provide a supply in another country. That is how the largest percentage of businesses enter export markets, but we can do better than that.

How do we support companies that have a need? We can do so through current provisions, through partnership working with other agencies around the table and through communication between all of us about where the business is in the process. The strong message is that each of us can provide valuable support services, but none of us can supply everything.

Christopher Harvie (Mid Scotland and Fife) (SNP): I will ask about three subjects: family firms, exchanges and languages and trade representation abroad.

When I taught British studies at the University of Tübingen, I was also the joint chair of the university's international economics course, on which I supervised PhDs. Mr Tunnock said that he had not cracked China yet and that he had his problems in Germany. One of my PhDs, by a Miss Ya-Fei Hsu, was on economic growth and development in Scotland, Baden-Württemberg and Taiwan—the Republic of China, as opposed to the People's Republic. She said that the whole business of cracking China was about families. Once someone is invited away from the front counter in the import-export place in question and into the family parlour in the back, they find themselves in the middle of a huge network of family contacts, running right across the far east. The PhD was done 15 years ago, and it says that that is particularly the case in the People's Republic of China, which was not supposed to be trading with Taiwan. I could give you the lady's address—she is now dean of an economics faculty in Taiwan. What are your views about that sort of thing? Have you tapped into that level of family networks in non-European countries? That seems an enormously important area, particularly in niche areas in food.

I have a second point associated with that. Why have Tunnock's, D C Thomson, Baxters and Barr's survived? Why are we talking to Boyd Tunnock, rather than someone from Kraft or Diageo—we had a grim and gloomy time last week. Why have the small performers in niche markets such as food survived relatively well in Scotland?

Boyd Tunnock: It is probably because we are twisted. [*Laughter.*] No—it is about attention to detail. We buy a television set from Japan and take it out the box. There is not a mark on it. We put it up, and it works.

I was boasting earlier. I hate mentioning money, but why not? Earlier I talked about spending £2 million on a wrapping line. As we sit here, I have four lines individually wrapping 1,800 caramel wafers a minute, one at 600 a minute and another three at 400 a minute. One is an export line, where the caramel wafers are flow wrapped and hermetically sealed. My biggest market for caramel wafers is Saudi Arabia, but they do not want them flow wrapped; they want them in the foil, the same as we have at home. Why? Because other people cannot copy what we have. They seem to like that there. All the other markets, such as Trinidad, thought that the flow wrapped wafers were fabulous: they like that and things are going very well there.

We have to be competitive, and we have to consider everything. We have no five-year plan; we just go about looking at things. I started something two years ago, which was to give people who had a good idea £50 out of the hip pocket right away. For example, a girl made a chance remark to me. I had brought in a new spiral cooler for the caramel slabs before they reach the cutting machine, but we made a mistake, and the cutting machine ended up against the wrapping machine. That meant that we could not use the wrapping machine, so we had to have the old system working. The girl—quite a stout girl—happened to say to me, “There’s not much room up there at that wrapping machine.” She did not tell me what to do, but she planted a seed. The biscuits were coming down one way, and the wrapping machine was at right angles to them. I thought to myself, “Now, if I could put a bend in and turn the machine around, it would give me more room,” so I did that, and then we could fit the machines in. She was the first 50 quid.

Only last week, when I put in that new £2 million wrapping line, we were getting the cases off, but people were getting static electric shocks. The guys came over from Switzerland and fixed it by various means. One of my own electricians explained that things were coming from rubber belts on to plastic rollers, so the electricity that was there was not getting earthed. We put in two rollers, and it worked. He was 50 quid, too.

A suggestion box is a lot of rubbish. You just get, “We need more wages,” and so on. When I was 14 I got the best advice ever. I was making up boxes at the end of the cake line, and I asked someone, “Do you like working here?” She said, “Oh, I think it’s lovely, but yer faither doesnae pay

us enough.” I have kept my mouth shut since then. Nobody gets enough money.

You have to look for the best chance. We have been making caramel wafers since 1952—for 58 years. When caramel logs came along, they were an offshoot from the trimmings. They are now perfect, but I am going back to trimmings, because I can buy a machine abroad for that. We have to think about that constantly.

We have just put on sale in Sainsbury’s small tubs of caramel wafers. It just so happens that I have one here in front of me. Basically, the product is developed from caramel wafers. The word “reject” is wrong—maybe “imperfect biscuits” is better. We put them in a cutter that is designed to cut them into four and then the girls put them through the chocolate. They already have chocolate on, but they get extra chocolate. They now have 50 per cent chocolate instead of 33 and a third per cent in a standard caramel wafer. They are selling fairly well in Sainsbury’s. We have not gone to other retailers yet because we cannot keep up the production. It is the first new product that we have had in 10 years. We are backward looking, but we go forward because we are trying to do things better.

I went into the tearoom today and saw that there were none of our biscuits. Then I saw logs, so I bought a log and a cup of tea. That is the first time for a while that I have sat down to a cup of tea and had one of our products. I thought, “That is quite good—nice and chewy. That is super. No wonder people buy them. I must put the price up.”

You have to be competitive. You take other people’s advice. Members will remember that there was an advert on the telly with a chap in Spain standing in his vineyard saying, “I don’t know why my wine is the best in the world, but it tastes so.”

We make our chocolate using machines that were made in Arbroath. The only chocolate machines that are produced in Britain are made in Arbroath. We have a 6-tonner and four 3-tonners and another line that makes the non-cocoa butter chocolate. You just keep at it.

Christopher Harvie: I came across one example of a Scottish firm that partnered a German firm and seemed to be successful at the time, but which has had problems since. It was R & W Scott Ltd of Carlisle, which made jam and was linked with a German firm in Schleswig-Holstein. In Frankfurt about 15 years ago, I was involved in an SDI meeting on the move. It seemed to be promising, but apparently Scott’s has now been taken over and downsized. What went wrong in that case?

Boyd Tunnock: The family got fed up. There are times when things go wrong and you say, “Oh,

to hell with it," particularly if a letter comes in offering cash up front and you can go and play golf or sail. I sail competitively and that is my relief. My wife says that I work far too hard, but I say, "No, I don't—I'm just there."

We are doing an alteration with a new line going in. The old army idea is that the orderly officer would call out the guard any time, at 2 o'clock, 3 o'clock or 8 o'clock in the morning. The other night, I woke up and went down at quarter past 1 in the morning. We were making teacakes—we had 350 a minute running down the line and it was going fine. There was a guy digging up the floor to put down tiles. The boss had to get off his bloody seat. What a job I have. I have a quality controller and a health and safety manager. I said to them yesterday, "Look—the first thing you do in the morning is go round the factory and speak to the supervisors." You would think they were alien.

We are a family business. Everything depends on the boss. That is where it comes from. A chap called Marc Bolland improved Morrisons, but he has now gone to Marks and Spencer because he is good. There must be something in that. It is a mindset. You have to say, "We're going to do it. It's impossible, but we'll manage it."

Christopher Harvie: To widen out the issue, we have mentioned languages and exchanges. The experience in Germany was not good, because hardly anyone came over from Britain. Offenburg University of Applied Sciences, which is a technical university, sends nine people to Napier University each year to acquire English and technical knowledge. However, Napier sends no one to Offenburg, although most of the instruction there is actually in English. That is a general problem—it has been remarked on throughout the south-west of Germany, and in Alsace in France, where a friend of mine is vice-president of a university; he is a Scots specialist by training. He says that the exchange students from Britain are more problematic than everyone else put together.

11:00

I will make a particular point about the British Council. Germany is a highly decentralised country with very important regional centres that are more significant than Berlin. When I went to Germany, there were six British Council branches in the regions and provinces. The entirety of British trade and cultural representation is now concentrated in only 1km² of central Berlin, because one of the predecessors of the present British Council decided to close everything down. That was done despite protests from all over the country, and it meant that the very important regional link-up disappeared, which has now been followed by the consulates. My question for the British Council is this: has the system of

centralisation worked in terms of promoting exports?

Paul Docherty: We have not really asked ourselves that question; we have concentrated on trying to make things work. It is no secret that there were pressures on us to make cuts: 30 per cent of our grant budget for Europe was taken away. My previous post was based in Italy, and most of my job while I was there involved managing the downsizing; 30 per cent is a big number. We had to make cuts around Italy, but fortunately we had money-making enterprises there, such as a £10 million business in English language teaching and examinations that was scattered around the country, which we did not have in Germany.

Whether or not the centralisation has worked, I know the current director of the British Council in Germany very well, and I know that he spends most of his waking life when he is passing through headquarters reminding everyone that Germany has a highly devolved system, and that it is rather difficult to manage in quite the way that we did before.

The reality is that we cannot turn back the clock—we simply cannot afford the boots on the ground. We have to find different ways of doing things. We have deliberately decided to work on some of our large-scale projects—for example, one project involves Glasgow City Council and a number of regions around Europe, and we have decided to go with Baden-Württemberg. We are able to do things there without necessarily having the presence on the ground

If you want a personal opinion, however, you should talk to me after the meeting.

Christopher Harvie: I have one final point. If you go to the town of Veere in Holland, you will come across the Schotse huizen—the Scottish houses, which were, for 350 years, the site of the Scottish staple that dealt with the Rhineland provinces and the old lands within that region. In a period when people tend to travel rather less for all sorts of reasons, such as security, would not it be an interesting idea to revive that?

The Japanese are fascinated by reconstructing great European places in Japan, because—strange as it may seem—they do not enjoy travelling very much. They prefer to build Rothenburg ob der Tauber in Japan, and they believe that their version is more authentic because the town in Germany has been rebuilt so often.

Setting up a structure to represent Scotland—with good golf courses, good cultural presentation and online information—in certain parts of Europe might be a good way to front-line the things that we do well, particularly in areas such as food,

quality handmade textiles and clothing products. I have discussed that with people, and they say that it is a great idea. Why not rebuild Scottish buildings stone by stone in Europe? I think that would work. Have you ever considered that type of thing in the context of an international exhibition?

David Smith: Based on feedback from customers and what we understand works particularly well and brings value to Scottish companies in economic impact, our focus—the vast majority of our efforts—is on helping companies to take advantage of opportunities and to go where sources of opportunity exist. Many of the opportunities for Scottish business exist around some of the major trade shows and trade fairs. We support companies to meet potential customers or potential business partners one on one. From the inward investment point of view, our focus is on meeting companies that are interested in investing in Scotland and making that process as easy as possible for them. We go to those customers and have meetings with them. The highest-value-added activity that we can undertake is to help companies to engage directly with their customers wherever those customers want to meet them, and to make it as easy as possible for potential investors to come to Scotland.

Gavin Brown: I will move on to a different topic and throw a question out to all our witnesses. Which comparable countries are the superstars of export, trade and inward investment? With which countries should the committee compare Scotland and from which countries should we learn how to improve our performance?

Paul Docherty: In educational exports, I recommend examining Education New Zealand, which is a highly focused and highly effective organisation.

David Lonsdale: Our submission highlighted the fact that the UK is the sixth-largest exporter of goods and the second-largest exporter of services in the world. That may have changed slightly, given what has happened to the City and financial services in the past 18 months or two years. Germany is well known as the largest or second-largest exporter in the world. We do not collate data on inward investment, but others might be able to tell you.

Gavin Brown: Germany is obviously an enormous exporter. When I used the word “comparable”, I meant are there countries of similar size and scale to Scotland from which we could learn?

David Lonsdale: We do not have data on that, I am afraid.

Alasdair Kerr: The obvious model is to consider what the Scandinavians are doing. Theirs

are similar countries. Southern Ireland also has well-documented performance on imports and exports. I shudder to mention it in this environment, but you should also consider some of the English regions as being comparable to Scotland’s economic footprint; They have pulled together some excellent data on performance. You should not examine the south of England, which did not slow to the same extent as the rest of the UK—it maintained its export performance—but some of the other English regions are comparable.

Gavin Brown: Does SDI have a view on the initial question?

David Smith: From an inward investment perspective, the UK continues to perform well. The data source that we tend to use is the Ernst and Young “European Investment Monitor”. Of all the European countries, the UK still attracts the highest number of inward investment projects.

We have referred in our submission to the overall trends over the past couple of years or so, and how the overall flow of inward investment into Europe and, consequently, into the UK and other countries in Europe has dropped considerably. However, in terms of relative competitiveness, the UK and Scotland are still performing very well and strongly on the inward investment front. We can learn from, and benchmark ourselves against, some of the other countries that perform particularly well in that area. The World Bank study highlighted the performance of Sweden and Austria in attraction and promotion of inward investment.

As Alasdair Kerr said, we can continue to learn from some of the Scandinavian countries. In particular, it is interesting to study Finland’s approach to commercialising research and development, and the role that Tekes, Finpro and others play in that. In the past five to 10 years, Finland has been successful at commercialising its knowledge and research and development base, and in gaining competitive and trade advantage from that. We are learning from that. We are also achieving a certain amount of success in Scotland through following similar practices.

Stuart McMillan: I want to go back to an earlier point about the cultural aspect of Scotland. I declare an interest here because I play the bagpipes and I took the pipes with me any time I went abroad, particularly when studying. It opened so many doors. There are a few challenges with aspects of Scottish culture, including the pipes. The problem for me, however, is the Scottish cringe within Scotland as opposed to elsewhere. From time to time, we see articles in the media lambasting the pipes, tartan and whisky image of Scotland. However, the worldwide brands that Scotland has are not utilised as much as they should be. We should use them as a hook to get

businesses to think about coming to Scotland or to go the other way. I do not know whether any of you have an answer or any suggestions about how we overcome the Scottish cringe, and how we can make more use of the Scottish brands that we already have to promote Scotland.

Boyd Tunnock: Walkers Shortbread Ltd of Aberlour is the number 1 food brand in export, and it is a model to follow. It makes a product that keeps for 12 months, is not affected by heat, is well packaged and comes in a huge number of varieties. However, in Callander, there is Jim Campbell's company—Campbell's Shortbread. Although Walkers is super, Jim can compete with it. He has a lovely wee factory. I was through seeing him and his wife last year. They work very small. They have nine wee production lines that go in a straight line right through the oven. It is a miniature bakery, but it has done very well. He is doing very well in export.

I asked him whether he gets a lot of trouble from the people of Callander because he has to reverse his 40ft trailers up to get loaded, and he said, "No. I own all the villas there." He has just bought out 30 villas, so he is doing very well.

It is all about getting into the mindset of just going ahead. I have done quite well, but I am sure that my daughter and son-in-law who are in the business with me are going to do even better, although I keep telling them that we will do it my way while I am here.

We have to think quality, and about how to improve quality. With my new wrapping line, I am wrapping the envelope fold better than I was with the German machines that I had for 20-odd years. The Swiss machines are more delicate and take their time, although they run at 400 a minute. Come and see us any time; it is lovely to see people. It is all about the quality and getting it right.

11:15

We have exported to Okinawa for nearly 40 years, but we cannot get into mainland Japan, although our Okinawa agent has tried to get us into it. He takes about six containers of the wafer creams that we make—which are like Blue Ribands—rather than our caramel wafers. Caramel logs are sold in Kuwait and caramel wafers are sold in Saudi Arabia.

As I say, it is all about quality. If the quality is increased, everything else will follow. People should get things right. The simplest job in our factory is washing the floor. I am the best floor washer of the lot, but the problem is that I have not trained people how to do it. A person should not take a mop to the floor; rather, water must be put on to it to soak it first and left around the edges.

Two minutes later, the dirt will come off by itself. When I leave here, I will start a training course and train up a supervisor to train the rest. If the boss does not get things right, the rest will be nowhere.

David Smith: I absolutely concur with Boyd Tunnock's point about quality, which I want to build on. Many Scottish things—Scotland's scenery, tartan, which has been mentioned, whisky and its culture in general—have positive connotations around the world. As Boyd Tunnock has pointed out, the secret is to combine those connotations with quality. A big focus of our food and drink strategy in working with Scotland Food and Drink is to emphasise the quality and the provenance or sourcing of produce from Scotland. That works extremely well in markets such as France, where Scottish salmon, for example, has a label rouge quality mark. It is about combining affordable quality produce and goods and services with Scotland's positive image in many markets around the world.

Paul Docherty: I agree with that: it is about quality and sourcing. It is not necessary for us to promote some elements that have been talked about, such as bagpipes, but we should use them as a kind of kite mark to say that things are sourced from Scotland and have quality. As a nation, we need to be clear about what we want to project. What position do we want in the world? Where do we want to place ourselves? What do we want to promote? An incredibly powerful brand can then be used to do that. People sometimes think that we should not expend energy and money on promoting such things and that there should not be interventions by organisations such as mine to do so. I probably agree with that; it is not necessary. However, let us use them smartly to leverage the sourcing and ensure that the quality is right. The Venice biennale provides a good example in that context; there was a hugely successful Scottish show there last year. There was plenty of stuff around, and bagpipes were played outside the show at its opening. That was great because it set the framework and context. People then went inside and said, "Wow! This is world-class contemporary art." That is where I would like us to position ourselves.

Marilyn Livingstone (Kirkcaldy) (Lab): I think that Paul Docherty talked about education and education exports. I used to work in Adam Smith College in Fife, which has done a good job in considering educational exports to India and the new European Union countries, for example. If you speak to people from other countries about Scotland playing to its strengths, they will talk about our skilled workforce—we heard about that during our banking inquiry—and about education across the board. Are we doing a good job in exporting educational expertise, which is one of

our strengths? Are there examples of that? What are we doing well and what could we do better?

Paul Docherty: In general, we are doing a good job. Education is one of the success stories of the export business. If we compare the figures on education for England with the figures for Scotland, as we sometimes do, we can see that Scotland is more international in its approach—there is a difference of 2 per cent or so. It can be difficult to disaggregate the Scottish figures from the UK figures, but when we can do that, it is clear that we seem to be doing rather better than people are doing down south. Universities Scotland has done interesting work in that regard. The figure that is put on the value of UK education exports is £28 billion. Scotland is in fourth place after London, the south-east and the north-west, which includes the big cluster around Liverpool and Manchester.

The position is similar in relation to cultural exports. The biggest cluster of creative industries is within the M25; the second biggest cluster is in the central belt of Scotland, around Dundee, Glasgow and Edinburgh. The area is performing well and is worth about £5 billion to Scotland.

We are doing well, although there are issues. We must not take our eye off the quality ball. If we consider world rankings and try to separate Scotland from the UK, albeit that that is difficult to do in some respects, we find that, per head of population, Scotland's share of the worldwide overseas student market comes in at about fourth. New Zealand comes in third, so it is clearly doing something right. If we were to take our eye off the quality ball and get a reputation for not delivering on quality, we would be in trouble. Currently we are a trusted source—the brand is hugely trusted around the world—and we are delivering quality. As long as we continue to do that and improve on that, we are looking good for the future.

The Convener: I have a couple of final, broad questions on issues that will be part of our inquiry. First, which is more appropriate for Scotland's international focus: a sector-based strategy, or a country-based strategy? Perhaps David Smith will respond, given that we are talking about his strategy.

David Smith: Yes, that is obviously a question for me. It is not a question of either/or; we must consider both. Our approach is principally governed by consideration of where opportunities lie for Scotland, given our capabilities. Where do we have the quality, strength and global competitiveness that enable us to exploit opportunities?

To assess the size and scale of opportunity, we tend first to consider our competitiveness and any opportunities through the lens of a sector. For

example, by taking such an approach to the food and drink sector we can identify opportunities to increase exports of Scottish farmed Atlantic salmon, as a result of changing dynamics in the global marketplace. We need to work in conjunction with the industry. We must ensure that we have the support of producer organisations and companies that are involved in the sector, and we must ensure that the industry has the capacity to ramp up production while maintaining quality.

It is about assessing opportunity in the round. Doing so through the lens of a sector will automatically lead us to consider the most important geographic market. For us, the identification of geographic market opportunities follows the assessment of areas in which we are globally competitive and can increase exports while ensuring that we keep an eye on quality.

David Lonsdale: As David Smith said, activity must ultimately be demand led. As we said in our submission, we need the flexibility to be able to calibrate efforts and change as opportunities develop. That is the key point.

Another point is that there is a limited pot of money available and there is always a risk in spreading resources too thinly. Our members are very clear—we tried to get this point across in our written submission—that there can be a long time between establishing a presence overseas and, as Alasdair Kerr mentioned earlier, getting orders and cash in. Often, that can take years. Therefore, a degree of consistency of approach is important.

Iain McTaggart: I agree with colleagues that we need flexibility to be able to support sectors that are growing. Often, part of the challenge of international business in markets such as China or Japan relates to the cultural aspects, such as knowing what the expectations are, what the timescales might be and what resource is required. That is where having a geographic focus also helps to embed relationships by being able to give Scottish companies good, timely advice on what factors they might face if they are to be successful in those markets.

The Convener: David Lonsdale's comment on the need for consistency of approach leads me into my second general question, which is on whether the playing field is too cluttered. Organisations such as SDI, the SCDI, Scottish Chambers International, the CBI and UKTI are all involved. Is the field too cluttered? Do we need a more focused approach? In addition, should the public sector or the private sector take the lead in supporting the private sector in its international ambitions?

Who wants to go first?

David Smith: I will let other colleagues go first.

Alasdair Kerr: I am happy to kick off.

As colleagues have said, we have limited resources but a massive opportunity out there, so the public sector and the private sector need to work together. Both the private sector and the public sector agencies that support businesses in Scotland have made significant progress on supporting the client journey and on providing support to the businesses that need it. I am saying, “Watch this space”, but I think that excellent progress is being made. As was mentioned earlier and in many of the written submissions, the intelligent exporter initiative is a fantastic first step that will make a real difference in co-ordinating activities. We definitely need partnerships and working together. The public sector is there to fill gaps, but we very much need to work in partnership.

David Lonsdale: Certainly, when we spoke to our members in preparing our response to the committee, one or two mentioned the fact that there is a myriad of organisations such as SDI, UKTI, the China-Britain Business Council—in the case of China—and many others. An argument could be made, I guess, that there would be less clutter and things would be simpler if all those organisations merged, but I am not sure whether that would be to our advantage. Would the Welsh do that, or would they retain their own distinct operation? Obviously, we are very supportive of having people who can bat for firms in Scotland and attract investment to Scotland. If we can leverage in additional aid through other partnerships, that is all well and good.

Iain McTaggart: We all need to work hard behind the scenes to provide a seamless service to Scottish businesses. Like Alasdair Kerr, I think that we are progressing in playing to our individual strengths and co-operating with one another. I am sure that the playing field can seem cluttered to companies, but we can help them in different ways with their inquiries and with making progress. At this time, when finances are really stretched, we need to be more ambitious than ever in playing to the full strengths of our public sector and private sector partners, including commercial enterprises, banks, accountants, logistics companies and all who can play a part in helping Scottish businesses. We are getting our act together here, and we need to focus on our visibility outwith Scotland. We need to be less introspective and to be visible in playing to our full strengths in overseas markets.

11:30

Paul Docherty: This might sound as if I am trying to avoid being prodded towards the bonfire of the quangos, but I would say that the system probably looks and feels cluttered when it does not

work. I agree with colleagues—and one of the takeaways from today for me is that I now really have to say hello and talk to David Smith. I arrived in August, and he has been on my list of people to see for ages.

It is a question of our being clear about our specialisms and areas of expertise and interest and ensuring that, when people come to us, we signpost them if there is a better place for them to go. If we talked more among ourselves, we would probably find areas in which we could work more frequently together. For example, I am interested in the possibility of doing something like the Wuhan mission but on a much bigger scale. It would be not just a sectoral mission in education but one with add-ons—the creative industries certainly seem a possibility for that. It would probably be a nightmare to organise, but it is worth having the conversation.

David Smith: I simply say that we have to stay focused on the customer—the Scottish businesses and organisations that are ambitious to grow and which are seeking help and support to do that. We have to ensure that there is easier and more effective signposting of the various agencies and organisations that can help companies.

Trying to go international is a complex business for a company, particularly if it has never undertaken business internationally. There are a number of points to take into account, and there is much that a company needs to learn if it is to skill up to be capable of tackling international markets. It is important that we listen to customer feedback and look at the data and evidence that exist on the type of support that companies need and expect from public sector and private sector organisations and agencies.

On Paul Docherty’s point, we need to be clear about the services that we provide and their purpose. SDI’s emphasis is very much on helping the business development efforts of Scottish companies. As has been pointed out to me on many occasions—this is a general point—we need to do more to upskill the sales and marketing capabilities of Scottish companies. For that reason, our focus is particularly on helping in that space—providing the products, services and support that help Scottish companies to be more effective in selling and marketing around the world.

We need to work with our partners around the table and with professional advisers from the private sector to ensure that we signpost effectively and that the right support is made available in a timely fashion to help address the other challenges that companies face when they are trying to increase the level of their international business.

The Convener: Thank you for that. That concludes this morning's scene setting—unless Boyd Tunnock wants to add anything.

Boyd Tunnock: No, not really. Just thank you for listening to me. I managed to get my points over; that was all I wanted.

The Convener: This has been a useful scene-setting session for our inquiry, and Boyd certainly deserves praise for the way in which he has managed to promote his products so effectively this morning. If the only outcome from the inquiry is that Tunnock's teacakes break into the Chinese market, it will have been worth while. [*Laughter.*]

I suspend the meeting to allow the witnesses to depart.

11:33

Meeting suspended.

11:43

On resuming—

The Convener: Agenda item 2 is consideration of the written evidence that we have received for the inquiry into international trade, and our approach to the inquiry. Members may also wish to reflect on the evidence session that we have just had and on the way forward. We may want some of the bodies that have appeared before us today to return to give more formal evidence, particularly SDI. We may also want to take evidence from UKTI and, towards the end of the inquiry, the Scottish ministers. There are other areas that we might want to investigate and some key sectors that SDI and others are working on. It might be worth having a cross-section of companies from the likes of the oil and gas sector, the food and drink sector, the financial services sector and the chemicals sector—especially life sciences, which is a key industry for both foreign direct investment and exports. We might perhaps also hear from some of the senior managers of global firms that have set up in Scotland.

11:45

It might also be beneficial for us to undertake some study visits, which would allow us to compare how other regions within the United Kingdom and Europe deal with international trade. In that context, the recently published report "European Cities & Regions of the Future 2008/09" is interesting. The report was published by *fDi Magazine*, which is owned by the *Financial Times*. I note that the Nordrhein-Westfalen region comes third overall in the report. It might be beneficial for us to visit that region, as it includes Düsseldorf, which is where SDI's central and eastern European operations are based. The bad

news for Chris Harvie is that Baden-Württemberg comes only 12th, four points behind Scotland.

Christopher Harvie: Is that in terms of FDI?

The Convener: Yes.

Christopher Harvie: That is because we invest everywhere else. One should always remember that FDI means Diageo and Kraft. I am not sure that my automatic response to the acronym is altogether positive.

The Convener: The criteria are slightly wider than just how much FDI those regions get. A number of other factors are included. It would be worth visiting the SDI office in Düsseldorf to meet officials there.

Christopher Harvie: There is one German region—not Nordrhein-Westfalen but Lower Saxony, I think—where the head of the Christian Democratic Union is a Scot called David McAllister. He might be a useful contact to have. Not every region has a Scottish politician in charge of the Conservative party.

The Convener: There are not many Scottish Conservatives to start with.

Lewis Macdonald: Thankfully.

The Convener: It would also be worth visiting Brussels to meet the Commission, particularly the director general for trade, but also those who have responsibility for regional aid and state aid issues, in relation to encouraging FDI into areas. That would give us an opportunity to meet representatives of the Flanders region, which also scored highly for its FDI strategy—in fact, it is the number 1 region for FDI strategy, according to the report. The other region that we might consider visiting is Catalonia. There are links between Scotland and Catalonia, and we might get an idea of what it does in relation to European regions.

Within the United Kingdom, it might be worth visiting Wales to discuss how that devolved country deals with FDI. Tied into that trip, it might be possible for us to meet the South West of England Regional Development Agency, which is based in Exeter but has an office in Bristol as well. It should be possible for us to fly to Bristol and meet the RDA there, then go on to and fly back from Cardiff—or vice versa. Within Scotland, one or two of us might go and visit some exporting businesses to hear of their direct experience.

Lewis Macdonald: I was particularly struck by the comments that were made about the oil and gas services sector, which is an outstanding success story for Scottish exports. Marilyn Livingstone asked about skills and education. OPITO is the sector skills body in the oil and gas services industry. In the past few months, it has gone global and established itself as an

international company, of which OPITO UK will be only one part. That is an interesting story of a company being successful both as an exporter of services and as a promoter of high standards in the sector globally. Therefore, although it is important that we take evidence from some of the commercial organisations that operate in that sector, it is also important that we hear from OPITO. Would it be worth having an evidence session in Aberdeen in order to take evidence from OPITO and some of the other players in the field?

An interesting additional angle is that although several oil and gas services companies export oil and gas services, as one would expect, one or two—Technip, in particular, comes to mind—have recently established their renewables world headquarters in Aberdeen. That is a potential export sector of the future.

Marilyn Livingstone: I support what Lewis Macdonald said about OPITO. It is a flagship organisation that is doing amazing work on the skills agenda. We took evidence from it when we were in Aberdeen on a previous occasion—I think it was David Doig who spoke to us.

I would like us to look at educational exports, given the income that they bring in for the Scottish budget. It is vital that we get into new markets. We are doing really well in traditional areas, but countries such as China and India are important to us. I would like us to look at that, in tandem with Lewis Macdonald's suggestion.

Stuart McMillan: An area that it would be interesting to look at, and on which we would probably get positive as well as negative information, is the electronics industry. We have lost much of the manufacturing and assembly aspect, but many of the service elements of the industry remain in Scotland. For example, approximately 2,000 people still work for IBM in Greenock. When the plant was involved in manufacturing, it had about 5,500 employees. That is just one business; there are others.

In the past, electronics companies in Scotland were a lot larger and more successful, but now that the same numbers are no longer involved in manufacturing, perhaps we could learn about some of the positives for the industry, as well as what made businesses move the manufacturing elsewhere. That is one suggestion to throw into the mix.

Gavin Brown: We have had several excellent suggestions. I do not disagree with any of them but, in general terms, I am keen that the report that we, as a committee, produce makes a tangible difference, as most of our previous reports have done. I think that we should structure it by first building up a clear picture of current

public sector interventions and the impact that they have had, to the best of our knowledge. I have gone through most of, if not all, the submissions and we need to get a clear picture of that.

On top of that, we should look at some of the examples of best practice that have been referred to and gather information on what other countries or other people are doing. The suggestions about Wales and the south-west of England are good. We should consider whether there is work that others are doing that we could recommend that we do more of and whether there are things that we should do less of. The public sector budget that we are talking about is of a reasonable size, but given that it is probably likely to get smaller, it is critical that every pound that is put in makes a tangible difference. It should certainly not be the case that Scottish businesses that are exporters have no connection with, or have never met, the various agencies. That is the sort of structure that I favour, but I appreciate that that recommendation is quite general rather than specific.

The Convener: Does anyone else wish to comment?

Rob Gibson: Some of the people who have been mentioned could give evidence. We cannot visit everywhere, but it is important to get an idea of people's experience of moves to sell abroad. I made a point about partnerships, which was about whether such initiatives work better when connections are available so that people have some access to our market as a result. I would like us to find some means of exploiting that opportunity in the inquiry.

Marilyn Livingstone: The convener asked whether the structure should be sectoral or Scotland-wide, which is an important issue. Picking up on what Gavin Brown said, it is clear that some companies that are not account managed, for example, seem to be falling through the net. We need to look at that. I know that that is a broad rather than a specific suggestion, but it is important that we explore that.

Lewis Macdonald: As the convener said, the other sector that we must not miss is life sciences. One reason why life sciences seems to be a successful export and inward investment sector is that it is the Scottish population that we are selling. There is a certain level of clinical information about the population, and the traceability of people who live in Scotland is one of the things that makes Scotland such a good place for inward investors to come if they wish to pursue new drug trials that are based on clinical evidence, for instance. It is important, in the context of looking into significant sectors, to bear life sciences in mind, as it contains both public sector and private sector

elements. It is therefore a particularly interesting area from our point of view.

Christopher Harvie: One of the traditional ways in which export trades grew up was by identifying an import trade that could provide cheap transport on the return journey—using the otherwise empty ships that were going back to collect grain, for example. The situation is much more complex now, with containerisation and so on, but it may well be possible to find areas where stuff can be transported virtually buckshee to large areas of Europe, if we consider what we tend to import into Scotland and the ways in which we can benefit.

The Convener: The pantiles in the east neuk of Fife are there because the boats that sailed over to sell herring used them for ballast coming back.

Rob Gibson: We could get a lot of cheese in containers, in return for whisky.

The Convener: I am concerned that there has been no written evidence from the Federation of Small Businesses. There was an indication that small businesses do not view our inquiry as relevant to them. It is serious if small businesses do not think that exporting and the internationalisation or globalisation of business are not things that they should be concerned about. We need to explore that point.

There have been some interesting submissions. I wrote to all the consuls who are based in Scotland, and we have received a number of interesting responses. It might be useful to have a round-table discussion with some representatives from consulates or embassies, so that they can discuss their engagement with Scotland, what we might learn from what they do, and what we might improve on.

Christopher Harvie: Certainly in Germany, and probably elsewhere in Europe, exports are organised through trade fairs. There are huge ones—known as Messen—in Leipzig, Stuttgart and elsewhere. The big one in Stuttgart, at which I have noticed relatively little Scottish representation, is the tourism trade fair. There is also one on cybernetics and things like that. People who know the language need to be at such events, selling.

The Convener: We now have a fair steer for the direction in which we want to go. We probably need to make a formal decision, as we will have to draw up bids for the various visits that we are suggesting, which will have to be submitted to the Conveners Group pretty much as soon as we return from the Easter recess. The next Conveners Group meeting is fairly soon after the recess, so we will probably not be able to bring the matter back to the committee beforehand. I therefore suggest that the committee delegates to me, along with the clerk, the authority to make

bids regarding the suggested overseas visits and the visit to Wales and the south-west.

Do members agree that we should also make a bid for a meeting in Aberdeen? The advantage would be that we could tie it in with some company visits in Aberdeen or en route back down. We could visit Mackays—the jam people—and some life sciences sites in Dundee, for example, as well as oil and gas companies in Aberdeen. It could be a useful couple of days. Do members agree that we wish to hold a meeting in Aberdeen?

Members indicated agreement.

The Convener: I will make a bid for that, too. Do members agree that we should draw up those bids and to leave it to me and the clerk to draw up a programme of witnesses?

Members indicated agreement.

The Convener: We might want to think about the Association of Scotland's Colleges, and also the universities, in relation to the education aspects.

Budget Strategy 2011-12

11:59

The Convener: Item 3 is budget scrutiny, on which we have a paper about what is requested. I ask for members' comments.

Rob Gibson: We know that the budget will be tight. The difficulty is whether we can see parts of our portfolio that should be further constrained or organisations whose spending in pursuit of their ends we want to investigate. It is hard to know what can be done in two oral evidence sessions to help the Finance Committee's overall scrutiny of the budget.

I am interested in whether other people have any ideas. Perhaps a focus in the enterprise network might enable us to comment for the Finance Committee's benefit, but the situation is difficult.

12:00

The Convener: I am inclined to agree, but the Finance Committee has tasked us to consider the issues, so we have a duty to do so. One question is whether the organisations that fall within our remit have any scope for backroom savings and savings from avoiding duplication, but I am not sure whether we can do a huge amount.

Lewis Macdonald: Part of the difficulty is that the agencies that are the principal recipients of funding in our brief have already taken a severe kicking in the past couple of years. That makes it difficult to decide what our focus might be. In the context of the wider investigation by the Finance Committee—given the remit that it has set—we should certainly conduct our investigations in so far as we can, but providing a focus on reduced spending will be difficult.

The Convener: Does anyone else have comments? From which organisations do members wish to take evidence? I guess that we will hear from the usual suspects—the enterprise agencies and VisitScotland.

Lewis Macdonald: Perhaps SDI is an appropriate organisation to hear from.

The Convener: We include it with the enterprise agencies.

Lewis Macdonald: Sure.

The Convener: Do we wish to ask for written evidence, too? We can make a general request to anyone who wishes to submit written evidence.

Gavin Brown: Knowing who to talk to about the enterprise agencies and VisitScotland is fairly straightforward, but the other slice of the budget

that the committee has examined is energy spending. That is largely a reserved issue, but the Scottish Government has an energy budget. From whom would we take evidence about that? That budget is separate from the SE budget. We might think about whom to invite to give evidence on that.

The Convener: That is important in relation to issues such as spending on renewables.

Marilyn Livingstone: One issue that I raised—as did many of us; it was not just me—during the banking inquiry was mutuals and co-operatives. I would like to hear a bit from Scottish Enterprise about what is being spent on the co-operative development agency, which falls within Scottish Enterprise's budget. That is topical and I would like to hear what is being done, because we have not heard anything—I do not have a feeling for how the agency is working.

Lewis Macdonald: Perhaps we should hear directly from the co-operative development agency and let it tell us what it thinks is happening.

The Convener: Do members have other suggestions? What has been said is probably sufficient to allow us to fulfil the requirements.

Homecoming Scotland 2009 (Evaluation)

12:04

The Convener: Our final item is our evaluation of Homecoming Scotland 2009. Do members have any comments on the terms of reference of the research that we have agreed to commission?

Lewis Macdonald: I note that the Scottish Government's evaluation of homecoming is being carried out by EKOS, which also evaluated the gathering. Concerns have been expressed about that particular report, and doubt has been cast on the methodology used by the company and on its claims about the numbers that took part in the event and, therefore, on its economic benefits. Given that the gathering report raises more questions than it answers and given that the same agency is carrying out the wider evaluation, I am very keen that we examine the first report as well as the general homecoming Scotland report. After all, one would assume that it will be taken for granted that the gathering report is part of the overall report on homecoming and if the first is flawed, the flaw in the second will be deeper.

The Convener: One would assume that the gathering will be included in the overall evaluation and will therefore be picked up in these terms of reference. However, we should perhaps ensure that that happens.

Lewis Macdonald: I am keen to make it explicit that the gathering report as well as the homecoming report will be subject to our examination. They are two different reports, although I agree that the second will include references to the first.

Rob Gibson: We seem to be relying on Lewis Macdonald's partial views on the EKOS report. Surely until we have seen it we cannot decide whether it is misleading or whether its approach is suitable. We will most certainly want to look at it.

Lewis Macdonald: The report has been made public. I have seen it and am happy to let Rob Gibson have a copy of it.

The Convener: The purpose of our research is to evaluate the evaluation. As our evaluation is meant to examine the impact of individual homecoming events, I would be very surprised if it did not include the gathering, which was one of the key events. However, we will make it explicit that our research should cover the gathering. Of course, in saying that, I am making no comment about whether or not the EKOS report is valid.

Lewis Macdonald: No. I am merely offering a suggestion. The point is to commission an evaluation that covers these matters.

The Convener: If members have no other comments, are we content with the proposals in the report?

Members indicated agreement.

The Convener: The clerk and I will prepare a bid for funding from the conveners group for this external research.

Lewis Macdonald: This might also be implicit in the terms of reference, but the Scottish Government's evaluation of homecoming involves an assessment of the project's success against four core aims. The other week I endeavoured, with the Scottish Parliament information centre's assistance, to find out when and where these four core aims had been set, as I had not immediately recognised them as having been set out at the beginning of the project. Will the research that we are commissioning establish where those aims came from and when they were included in the project?

The Convener: I am not sure that that will form part of the external research but we can ask SPICe to take a look at the issue as part of its normal work. After all, the research is about the evaluation itself.

Lewis Macdonald: I thought that it might have been implicit in the terms of reference, given that it is an evaluation of the project against these four key aims.

The Convener: We can ensure that the information comes through the usual SPICe routes.

I wish members a relaxing Easter. I do not think that there is anything coming up that should bother us.

Meeting closed at 12:08.

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