



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Monday 24 May 2010

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**ECONOMY, ENERGY AND TOURISM COMMITTEE
17th 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)

COMMITTEE SUBSTITUTES

Nigel Don (North East Scotland) (SNP)

Alex Johnstone (North East Scotland) (Con)

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

David Whitton (Strathkelvin and Bearsden) (Lab)

*attended

THE FOLLOWING ALSO ATTENDED:

Brian Adam (Aberdeen North) (SNP)

Nigel Don (North East Scotland) (SNP)

Maureen Watt (North East Scotland) (SNP)

THE FOLLOWING GAVE EVIDENCE:

Gillian Black (OPITO)

Charlie Devin (Lossie Seafoods Ltd)

Paul Grant (Mackay's Ltd)

Jim Milne (Balmoral Group)

Duncan Skinner (Production Services Network)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

Council Chamber, Aberdeen

Scottish Parliament

Economy, Energy and Tourism Committee

Monday 24 May 2010

[The Convener opened the meeting at 14:00]

International Trade Inquiry

The Convener (Iain Smith): Good afternoon, colleagues, and welcome to the 17th meeting of the Economy, Energy and Tourism Committee in 2010. I am pleased to meet again this afternoon in the Town house in Aberdeen. The fact that the committee seems to meet regularly in Aberdeen during its inquiries is testament to the important position that the north-east of Scotland has in Scotland's economy and in international trade—in particular, in the two sectors that we are dealing with today, the oil and gas sector and the food and drink industry. I thank Aberdeen City Council and its officials for their assistance in holding today's meeting. It is the third time that the committee has met in Aberdeen and we are all delighted to be back here.

This afternoon, we will hear evidence from two panels of witnesses as part of our international trade inquiry. The first panel consists of representatives of the oil and gas industry. I ask you to introduce yourselves briefly, after which we will ask questions.

Jim Milne (Balmoral Group): I am the chairman and managing director of the Balmoral Group.

Gillian Black (OPITO): I am the director of policy affairs for OPITO—the oil and gas academy.

Duncan Skinner (Production Services Network): I am the chief financial officer of Production Services Network, an international oil and gas business that is based in Aberdeen. I am interested in hearing what can be done to support our international growth.

The Convener: Thank you. We are interested in hearing what we can do to support international growth. Perhaps you can expand a little on areas where you feel that the Scottish Government or the public sector could assist more or on areas where you get particularly good support from the Government.

Duncan Skinner: At PSN, we tend to do our own overseas prospecting. Our strategy is to expand internationally from a United Kingdom base. We are active in 25 countries, but 30 to 35 per cent of our business is UK based. However,

with the UK market having reached a plateau, if not having gone into a slight decline, we are looking to internationalise the business and have been pretty successful in doing that.

We have done most of that work ourselves. We were previously part of the Halliburton group, which had a large network of established entities and offices in other countries—I think that it had 720 companies in its global structure—and it was easy for us to piggy-back on that. However, since we became a Scotland-based private company, going into new countries has become that bit harder because we do not have the corporate expertise in the back shop from the legal, tax and fiscal and how-to-do-business-in-country perspectives. We are probably too big for such things as Scottish Council for Development and Industry trade missions, as companies do not tend to get \$100 million or \$200 million contract opportunities on such missions. Nevertheless, we see the need for services and advice from a source of expertise in those areas that is less expensive than the big four accounting practices, as it can be very expensive just to get general advice from them.

We also need assistance with tax. Although many of the countries in which we operate run double-taxation treaties, not all of them do and, where no such treaty exists, it is very difficult for us to do business and reap the returns that are required to compensate for the risk that is involved in setting up there. I realise that the matter is reserved, but I would certainly like to think that we could do better in that area.

Gillian Black: I echo those comments. In the past five or six years, OPITO, which is the standards-setting custodian body for the North Sea oil and gas industry, has grown exponentially as a result of increasing global demand for the safety and workforce competence standards that we created with the industry. I guess that that has been a success story for this area and this industry.

Like PSN, we tend to go it alone. We assess the marketplace based on demand and, where we see opportunities, look into those marketplaces on the ground. However, it is very difficult for UK-based companies to open accounts and establish business overseas. For a start, companies need local advice and it can be difficult to recruit locally and pick the right people. That has certainly been one of the challenges that we have faced.

One of the reasons why we decided to go it alone and infiltrate the global market was that, about five years ago, when we were looking to expand globally, we received a fairly mundane response to a request for public sector support. For whatever reason, our request was not met. That said, we have recently formed a facilitated

partnership with a number of Scottish colleges and universities and Scottish Development International, which has primarily supported some of our current initiatives as well as being very helpful in investigating marketplaces and potential business opportunities. It has been only two years since SDI's education and training element became a stand-alone function alongside other sectors, and it works very well cross-sectorally with the oil and gas side. That approach ties in with what we stand for and we have found it quite useful.

Jim Milne: Our business is slightly different from those being represented by Duncan Skinner and Gillian Black; they work with people whereas, although we need people, we are a manufacturing company. As a result, everything for us has to be designed, tested and proven almost before it is quoted for. We are very involved in deepwater projects around the world including Thunder Horse in the Gulf of Mexico, Xijang offshore in China, phases 1 and 2 of MA-D6 offshore in India, Canapu offshore in Brazil, Tyrihans offshore in Norway and Gimboa, an offshore oil site in Angola and we are just finishing an £8 million job in Ghana for Tullow Oil.

However, like a lot of other companies, we cut our teeth in the North Sea and, with the expertise that we built up there, we are now able to compete with anyone around the world; in fact, we like to think that we are number 1 in our own chosen field. That is not easy, given that we are a long way from those markets. Technology plays a huge part, as, of course, do people; we have some very loyal people in Balmoral.

Our products and our company are not necessarily what I perceive them to be—they are what the customer perceives them to be. Fortunately, customers think that we do a dashed good job. We certainly work hard enough at it.

We want very little from the Scottish Government. It should not put any more new rules on to us. It should make the climate for business in Scotland correct, instead of overloading us with new European rules, Scottish rules, taxes or whatever it might be. Of course we understand that we have to pay taxes—that is how the world goes round. We are thankful for one thing in particular: whether Union Terrace gardens are developed or not does not make any difference to our business—I had to put a wee bit in about that.

That aside, we are doing very well. We doubled last year, despite being in the middle of a recession. That is pretty good going. We have huge orders for this year, too. It is great for an Aberdeen company, so far away from the market, to command such respect. It is often not down to price. There are a lot of clever guys at Balmoral, who do a dashed good job. It is important to read

the market and its requirements before coming out to quote. We will have done our research and development and got our product tried and proven before the competition can get there. We are the last link in the chain in most cases. The risk of trying something that might be cheaper is frankly too much—it could cost at least £100 million if it does not work out. It could be at least a year down the road before somebody else can take our place. It might seem as if I am just bumming up our own lot when I say that we are the last link in the chain, but we are simply a lot of ordinary people working extremely hard to give the market what it requires.

I am a passionate Scot. I am a passionate Aberdonian, I might add—even though I didnae vote for the Union Terrace gardens development. Scotland has a great name round the world for integrity, honesty and hard work. That is extremely important.

The Convener: Gillian Black mentioned that OPITO was looking for support about five years ago but the response was only lukewarm. Could you expand on that? Where are you looking for support from? What type of support were you looking for at that time?

Gillian Black: At the time, it was through Scottish Enterprise. It was early days—I do not think that the concept of an academy had even been formed at that stage. We had written to Scottish Enterprise for support to expand some work internationally. The sum was very low, but I do not think that there was a response from the organisation. At that point, we decided that we would therefore prefer to have no financial support, and we would go it alone and conduct our own business internationally.

The Convener: Jim Milne said that his company is far away from the market but is still very successful in it. How do all three of your organisations go about identifying market opportunities abroad? How do you know that there is business there that you can go for? How do you then get into the market that you have identified?

Jim Milne: We find out about the big projects that are coming up through the normal channels, although it can be years before they happen. They are all high-profile jobs. The deepwater projects are all multibillion. We track them all round the world all the time, and we find out who becomes the successful contractors, when the work is going to happen, what the programme of events is, and so on. I am sure that it is the same with Duncan Skinner.

Duncan Skinner: Whereas Houston is known as the global centre for oil and gas operations, there is a fantastic opportunity for Aberdeen to

become the global centre for service companies in the oil and gas community.

We are very lucky, in that we have a five-year early warning of any capital expenditure development anywhere in the world. Once the drilling rigs are finished, once a project gets sanctioned and once the asset is built, whether it is onshore or offshore, there will eventually be a need for services—whether it is Jimmy Milne's technology or our people—to service and maintain those facilities for their full life duration. We get an early warning, or heads-up, that a contract is to be let.

We have pioneered long-term contracts in the UK. Our contracts are typically three to seven years in duration and they can be worth up to \$250 million each per annum—very high-value plays in looking after all these assets. Aberdeen is uniquely placed, because of companies such as the John Wood Group, PSN, Petrofac, Acergy UK and Subsea 7. The service community is really well represented here in a way that it is not anywhere else, so there is a great opportunity to take the oil and gas adventure internationally from here, rather than saying, "Lights out. Let's go to wind power."

14:15

The renewables debate has massive traction in Scotland—rightly so, because it is a fantastic opportunity—but we should not forget about the oil and gas sector either now or in 50 years' time. We are still going to be producing fossil fuels throughout the world for the rest of this century. Aberdeen has a great part to play in this service sector. It is not necessarily a jobs bonanza—our model is to localise. I was talking about that earlier. Local governments want local people but, given our expertise, we parachute in expatriates to train people and manage them, to bring the PSN culture, values and experience to the basin and, eventually, to leave it with an indigenous industry that is owned by a Scottish, UK company. In the same way, the industry in Aberdeen was populated with Americans in the 1970s but is now populated mostly with Scots and UK nationals.

Gillian Black: We can follow up the work of some of these companies. A recent example of that was in Darwin: a Scottish company was looking to win some work with the Government there and, because it was familiar with OPITO's work and the health and safety standards, it put us in touch with the Government to discuss how we might be able to support some of the local indigenous workforce. It helps Scottish companies to win contracts if they believe that the quality standards for safety will be in place and that the local population will be developed.

The Convener: It was remiss of me not to welcome at the beginning our three guest MSPs, Nigel Don, Maureen Watt and Brian Adam.

Rob Gibson (Highlands and Islands) (SNP): I want to explore a bit further the formal and informal relations that you have when you set up abroad. I am not clear what role SDI or UK Trade and Investment play, although we will eventually take evidence from them in this inquiry. You, as reasonably big companies that make direct contacts abroad, are also in the vanguard for other people. There is an informal network of Scots around the world, which we have heard about, too. What official Government services would you like to be developed? Duncan Skinner mentioned tax. You mentioned the customs of the country. Are those the kind of things that Government organisations should be helping with?

Duncan Skinner: Yes, for smaller companies. That is what I was referring to when I talked about going it alone as PSN, rather than as part of Halliburton. When a company does not have such a big network, much more can be done to provide it with advice in such things as tax and company introductions. One of the best examples of support that PSN had was when we hosted a delegation from the Oil and Natural Gas Corporation—Indian's national oil company—at Dyce, which was very good. The SCDI sponsored that and put us on first-name terms with the Indian oil and gas minister and so on. We followed that up in country and he remembered us. We are talking to the ONGC about a potential joint venture for operations and maintenance in India. That is an example of what can be done and I would like to see more of it. However, as they need to be spread around, we do not see too many visiting delegations like that.

Rob Gibson: Do you see trade missions coming here?

Duncan Skinner: Yes. We have a great shop window here, which we find has more efficacy than going out and saying, "We are the boys from Scotland—you must have heard of us. Give us your business." It does not tend to work that way. Our model is to put people in country. We like to use locals who understand the culture and who can burrow away. Having people visit and using policies such as the one with the lord provost that we have been talking about is another idea.

There is an opportunity to find a better way of providing advice to the small companies. For example, we have probably pioneered tax in Chad—it is likely that nobody in Chad, including the Chadian authorities, knows more than my group tax manager does. She networks well with sister Scottish companies, including some of our competitors because we do not compete on fiscal matters. Therefore, we share a network of

information. There is probably space for Government to encourage that a little more. It is a valuable way to help fellow Scottish companies spread and be successful overseas.

Rob Gibson: It is clear that we have two networks—the Scottish one and the UK one. Do you see them working in different areas or in collaboration?

Duncan Skinner: We do not see too much from down south. We probably see more from the likes of SDI and the SCDI, which is very good with trade missions and contacts. We tend to be the hosts in the places that it visits.

Rob Gibson: Do other panellists wish to say anything?

Gillian Black: We had a recent positive experience with the UK Department of Energy and Climate Change that involved facilitating a delegation to Aberdeen from the Iraqi Ministry of Oil. The director general of oil in Iraq came across with colleagues and I believe that they visited Shell and others in Aberdeen. They had heard about us and asked about standards. The delegation came to our offices and heard a presentation on how we could support the development of the Iraqi oil industry. That led to positive on-going talks.

We have had recent links through the partnership with colleges and universities, supported by SDI. The colleges, SDI and OPITO have brought opportunities to the table, which has led to a full list of potential opportunities that we can work on jointly. That has been quite successful.

Rob Gibson: The world network of universities and colleges is quite an important selling point for us, given the quality of our institutions here. I suppose that you would expect to be able to develop contacts in any country through that network.

Gillian Black: Yes. We are looking at the competitive advantage that the reputation of Scottish education and training gives us and are looking to combine that with the industry standards that we can bring to the table, with particular reference to the need to develop the indigenous workforce in some of the developing oil and gas provinces that have specific in-country needs that might be different from what we offer in the North Sea industry. We can take what we learn from the North Sea and adapt it for the local population and industry. Those kinds of conversations are going down well. We can introduce the colleges and universities to business opportunities and they give strength to what we currently offer in our marketplaces. That SDI support is a good model that we would like to continue and expand.

Jim Milne: I cannot make enough of the fact that the trade missions done by the SCDI and others are an absolute must for smaller companies. It is pretty scary stuff for people to go abroad and ask, “Where do I start?” Some do not have a clue where to start. It is good to have someone to hold your hand, as the SCDI has done for years. It does a marvellous job. I used to go on the trade missions when the company was smaller—I was going to say “when I was younger”. They are of great importance to guys who want to get on to the first stepping stone in exports.

I think that you asked how we learn about opportunities. We go to 30 exhibitions worldwide a year. At all the major oil exhibitions or conferences, we have a stand and we have our own people there networking with the people at the exhibition. That is very important and it is also important for us to show our latest technology. I have just come back from the offshore technology conference and last week we had guys away in Brazil—my financial director and my sales director. They want us to start in Brazil, but I am a wee bit nervous about that, although I did have a repair facility in Macaé.

We have just come back from Perth, where we were exhibiting. We are away next month to ONS and there is another one then—I see that there are two exhibitions in a week. That is how we get round the world, not only sniffing out the contracts but saying, “Hey, do you know about this? Do you know about that?” At any international exhibition you can make contacts worldwide as people come through the exhibition, walk past our stand and stop to talk. That is how we do it and I think that it is extremely successful.

Lewis Macdonald (Aberdeen Central) (Lab): I will start with a question specifically for Gillian Black, about OPITO’s unique status among sector skills councils in the UK, given that it is employer and trade union owned and led. What advantage does that give you in the marketplace when you are going into export markets? I could be mistaken, but I am not aware of other sector skills councils having as strong an export drive as you do. Is it to do with the link with employers and trade unions on an international scale? How does that work?

Gillian Black: Absolutely, that is correct. We have a head start there, mainly because of the support that we provide for the employers in the North Sea industry, which leads that development forward into the international marketplace.

In a couple of recent cases, we have been asked by trade union organisations, the Society of Petroleum Engineers and the International Labour Organization to get involved when there have been issues with labour, for example in the Mexican basin, not being treated as fairly as it

might be in this part of the world. We have been asked specifically to speak at Government and employer events in those countries about how we can support a safer workforce and drive up the quality and the standards in the operating environment. That certainly drives our business forward. As I said previously, there are opportunities to work alongside employers who are looking to win contracts, but the trade unions, the ILO and the Society for Petroleum Engineers and so on can also introduce us into a specific marketplace.

Lewis Macdonald: Those introductions can open doors, as some of the Governments of the new producer companies will take seriously the fact that you are making that effort.

Gillian Black: That is right. They see it as a strength that the trade unions support us and help to drive our business forward. It gives us credibility in those marketplaces, particularly at the Government level, so it makes it easier for us to open doors.

Lewis Macdonald: I am interested to hear from all the witnesses, because clearly you all do your own thing in the markets in which you operate. Are there any networks in which all three of you might find yourselves or your representatives co-operating to scope out a market or exchanging information? Do you use any mechanisms other than the SCDI trade missions, which we have heard very positive things about, to share information when you explore a new market or make contacts in a new market?

Duncan Skinner: The accounting firms that we take advice from are probably as close as it gets, as far as I am aware, but it tends to be prohibitively expensive for smaller companies to get into that. They give some free advice, but it generally comes with a sting in the tail. We tend to do our own thing. We would not use many bodies.

Jim Milne: We normally do our own thing, but Duncan Skinner is correct. When my guys were in Brazil last week, one of their first stops was KPMG—our auditors. They also stopped off at our banking side. We get a lot of feedback from those guys. Of course, we would also see our major clients who have gone there—companies such as Technip, Wellstream and NKT, which already have manufacturing units there. That is where most of the feedback comes from. People who deal with other companies know the maze that it is necessary to go through, especially in Brazil, with all its different taxes. There are three different taxes on the go in Brazil: state, provincial and something else—I forget what it is. In addition, there is the problem of getting money out and the taxes to get stuff in. It is quite a complex situation, but the experts will help. We know where to go to get the answers, but it is not easy.

14:30

Lewis Macdonald: In both cases, the experts that you are talking about are expensive experts, not ones that companies that were just starting out could look to use in the same way.

Jim Milne: Yes and no. If a company is a reasonably good client of one of those companies here, it should be able to get a wee bit of information, but Duncan Skinner is right—that is normally followed by a wee invoice. A company should not begrudge that if it will save it from going in the wrong direction or getting itself down a hole that it would not have got itself down if it had done its homework.

Another thing to do is to speak to companies that have been to that country and to ask them what problems they had. I mean other manufacturers, rather than competitors. It would not be normal to go to a competitor—at least, I would not, and I am sure that Duncan Skinner probably would not, either. If another company has been through the learning cycle, why go through the same process again?

It is a question of networking. There is a very good network in the oil industry. It is not such a large industry; in fact, it is quite a small industry. No matter where you go in the world, you will find Scots there for sure. You will see a guy whom you might have seen in Houston, Aberdeen, Brazil, Australia or in Africa somewhere. It is amazing—you do not have to go far before you come across a Wullie or a Geordie. They just move around.

I find that most companies in the oil industry are pretty good at providing help. They might want help in return next time round. The oil industry is very good for that, I find. It is the companies that go abroad and do not think that they need advice that will get themselves in trouble.

Duncan Skinner: That is a big problem. Going overseas without advice can lead to significant business risk in the longer term. I know that there are companies that do not do things correctly, either deliberately or otherwise. They are storing up significant business risk. If they fall foul of overseas legislation, that is a risk to the entire organisation.

In PSN, our default position is the opposite—we do everything by the book. That is one of our core values. We will not even pay a £20 facilitation fee in Egypt to get a branch recognised by an inspectorate, for example. We cannot and do not do such things. The fact that we will not move from our traditional Scottish values, regardless of where we operate, slows down our business. It becomes an impediment, but we think that in the long term it is the right thing to do.

We know of other companies that go down a different route, which creates issues in the long term. It is necessary to use the right network, otherwise a company can get bad advice and find itself with some bad habits.

Gillian Black: We find that we do not want to take local partners, because that could take away some of our independence. We must be highly independent when it comes to quality approval of the learning providers that we control. We feel that taking local partners could restrict our ability in the marketplace, so it is not a road that we go down.

When we set up the new office in Dubai in January this year, we took a lot of local advice from our partners in Aberdeen on the financial aspects of that and on working alongside local providers. To deal with the recruitment aspect of the business development, someone from our local recruitment provider flew out with our chief executive. Similarly, we used an Aberdeen-based public relations company to drive some of our international PR. We have used a mix of approaches, but we have found that it has been helpful to use trusted partners from Aberdeen with whom we are familiar and comfortable.

Lewis Macdonald: Further, what you are describing constitutes an indirect export earning for the local economy.

Gillian Black: Yes, there is value in that regard as well.

Stuart McMillan (West of Scotland) (SNP): The submission from Oil & Gas UK talks about the inability to access additional credit and finance over the past year. I do not want to pry into your business, but can you give us any examples of situations in which a lack of finance has hampered your organisations in ways that could affect the direction that they go in?

Jim Milne: Two weeks ago, we walked away from a job in which all the guarantees had to come from our side and no guarantees came from the other, with no payment until the job was finished. We told them to go and find some other sucker.

We know most companies and contractors that we deal with. If they give us any problem at all, we just say, "Right, I want 10 per cent with the order, 10 per cent for the drawings, 10 per cent for the tools and monthly progress payments." That gives us a trigger that allows us to say, "You haven't paid us for last month, so we're going to stop work until you pay." However, we usually find that the situation is quite good.

Duncan Skinner: PSN's business generally comes through international oil companies such as ExxonMobil, Shell, ConocoPhillips and BP, which tend to view it as a badge of honour to maintain and observe payment terms. In many cases, we

look to be neutrally funded, which means that we get the cash up front, a month in advance, which is extremely good for our working capital.

When we deal with national oil companies, the payment terms tend to revert to whatever tradition pertains in that country. We do not work in Nigeria at the moment because it is not safe but, in the days of KBR and Halliburton, the payment cycle was 14 months. Egypt is notoriously bad, with a payment cycle of about nine months. Algeria has just stopped paying because Sonatrach is in disarray.

With regard to credit, the old export credit guarantee system no longer exists—it has been privatised, I think. However, many companies would be interested in a scheme like that, as it would enable them to derisk their overseas ventures and compensate them for any losses that they might incur as a result of those risks.

We are funded centrally by Lloyds Banking Group, but that comes with its own issues. If you do not have a bank with a global footprint, it is difficult to get security over assets in countries where that bank does not have a branch network. For example, because we are privately owned, through a leveraged buyout, our company is allowed to hold only £10 million at any one time in non-secured areas, such as Russia, which has implications for our work on Sakhalin island. The restriction in that regard comes not from our company, but from the ability of banks such as the Bank of Scotland and Lloyds Banking Group to be able to get security over assets in certain overseas areas. We would like that to be addressed—you might have to ask HSBC how it does it.

Stuart McMillan: I am sure that there are some questions there on the banking aspect. I do not really want to go down that road at the moment—we have already had that inquiry.

A previous witness told us that, when politicians travel, they would like trade delegations to go with them. They also stated that they were in favour of multidisciplinary trade delegations as opposed to delegations from one particular industry. Do you have any comments on that?

Jim Milne: If there are too many different industries, the leaders of the delegation find it more difficult to find an end-client for each industry. If it was just the food industry, the oil industry or another industry, it would be better.

Duncan Skinner: I am in favour of specific delegations; otherwise it is just down to happenstance and the trip will be a jolly. We would not be in favour of that. The more specific, the better, even if it is about understanding and telling the service sector story, regardless of whether you are accompanied. Scots overseas could represent

that story very well, and we would be happy to give them materials to facilitate that if necessary.

Stuart McMillan: Your industry is seen as based in the north-east of Scotland. How do you market yourselves throughout Scotland? How do you make yourselves relevant to potential employees, such as folk who are already skilled in a different field but who, with additional training, could come into your industry?

Jim Milne: Our companies get people from all over the country, especially for work offshore. People come from London, Birmingham and Manchester. A lot of Geordies come to work up here. People come from Glasgow, Dundee and Fife. They do a month on, or five weeks on and four weeks off, or whatever.

I can speak only for Balmoral, but we have guys from Peterhead and Fraserburgh—it probably takes longer to get from there than it does from Dundee. I have guys commuting from Dundee every day—I do not know how they do it, but they do. It is as quick to go to Dundee from Balmoral business park, south of the city, as it is to go through the town to Peterhead or Fraserburgh. Duncan, you can speak for yourself but you have people away on long-term contracts.

Duncan Skinner: It is a huge challenge. Back in the 1970s, we took a lot of people offshore from the traditional shipbuilding industry, such as welders, platers, pipe fitters and labourers. We trained them up and they became a resource for the oil and gas industry. They are all now coming up to retirement and we are looking elsewhere. We have 8,000 people in PSN, 2,500 of whom are in the UK, but we are importing skills. We have 57 nationalities in PSN. There are world-class corrosion engineers from Iran working in our office in Dyce. What we do not do is low-cost body shopping in low-cost centres. We take the people to where the work is and we hope that they are local.

We need to be innovative. We recognised that a highly skilled set of people working at RAF Lossiemouth and RAF Kinloss were coming up for retirement aged about 40, having spent their 20 or 25 years serving the country. We came up with a re-engineer scheme, a training programme of about six months to ready people for going offshore. The first class had about 30 or 40 people. It converted highly skilled RAF maintenance technicians into offshore technicians. We also took some of the management. Former squadron leader Brian Mercer is our innovation manager at PSN. He was formerly a manager of an \$80 million-a-year job that he walked into because he has highly skilled management habits. We need to be innovative—we take people from all over the country and all over the world into the network.

14:45

Jim Milne: I forgot to say that 40 per cent of our labour force are Poles. I am not proud of that, but I cannot help it. They have worked for us here for four, five or six years and have bought houses, married local people and now have families. It is a pity, but we just cannot get the people here in Aberdeen. There is supposed to be a recession just now, but it is very difficult to recruit people out there. However, what we have in Aberdeen, as somebody mentioned, is great universities, and we love to take on graduates. A lot of those young guys are clever guys—great boys—with a spring in their step and fire in their bellies. They are good boys and I like to see them getting on in the company. We work closely with the universities on that.

Gillian Black: A large part of the work that we do in the UK, as the academy, is attracting new talent into the industry, and we have various ways of doing that. The technician modern apprenticeship scheme is probably the best example of that. Around 100 trainees come through that programme every year. They are employed directly by OPITO and we put them out to the different companies. They do two years at one of four colleges—in Edinburgh, Aberdeen, Falkirk or Teeside—and then have two years of on-the-job training offshore with a company. They all get jobs at the end of it—that is pretty much guaranteed. It is one of the most successful schemes in the UK in terms of its outputs.

Similar to the PSN technician programme is our transformation training skills programme, which is based on the standards required in the process, instrumentation, mechanical and electrical disciplines that are needed for the industry. It is a 16-week programme that takes people from other industries and converts them to work within the industry. That has been a recent addition to our portfolio.

We also undertake work to promote the industry and the companies in general to schools and colleges throughout the UK. We promote initiatives such as energise your future and petrochallenge 2009 to schoolchildren. That work is expanding to cover the whole energy sector, not just oil and gas, and we are taking it forward alongside some of the Skills Development Scotland initiatives.

Jim Milne: I should have added that we treat them exactly the same as Scottish guys. We work shifts, seven days a week, night and day, 24 hours a day. That is why it is really difficult just to get the people; not everybody likes working shifts.

The Convener: Duncan Skinner talked about having people from all over the world working here and people from here working all over the world. Are any of you experiencing difficulties with visas

and work permits? If so, is that a growing problem or not a significant problem?

Duncan Skinner: In other countries, visas and work permits can be a bit of a political lever that can work for or agin you, but, in the UK, we generally find that it is okay and we have no problems at all with inpatriates. They tend to enjoy life here, which is good.

Marilyn Livingstone (Kirkcaldy) (Lab): I will continue with skills and learning questions. You work in partnership with Scotland's colleges, universities and schools to get people interested particularly in the sciences, technologies and engineering. We are getting some of that right, but we are obviously not getting it all right because Jim Milne cannot get the skilled workforce that he requires. We have talked about some of the things that we are doing well. What are we not doing so well, and where do we need to improve? We are compiling our report for the Government. What actions should it take to make things easier for your companies?

Duncan Skinner: We used to have massive fully self-funded and financed apprenticeship schemes that our customer base quite happily sponsored, but we now have about 50 apprentices on our books. We need to attract people into the industry. We have a very powerful graduate recruitment programme, including a milk round in which we go round many UK universities seeking applications. In the first quarter of each year, we go through quite an intensive selection process, but again we are probably talking about accepting only 50 graduates per annum. That is quite a lot, but I am not sure that the pattern is repeated in every oil and gas company. Anything that encourages graduate awareness of opportunities in oil and gas and encourages companies to take on and invest in more apprentices is a good thing. The Engineering Construction Industry Training Board is great for part-funding training, but it does not go all the way and we could do with more financial encouragement to get people into the industry.

Gillian Black: Over the past few weeks, a large part of our work has been having one-to-ones with many of the oil and gas companies on our industry skills forum to establish what they consider the issues to be, and we are finding more of a demand in the major companies for not just technician apprenticeships, but apprenticeships in the subsea and drilling communities and even facilities management in the industry. We will be looking at that, but we might well require some funding because, as Duncan Skinner said, apprenticeships have traditionally been funded mostly by the major oil and gas employers.

We also need to find better ways of joining up industry and academia. In Northern Ireland, for

example, there is a good central Government-funded initiative called lecturers into industry, which provides opportunities to really align key outputs from colleges and universities with the economy and economic growth. Given that economic growth is one of the Scottish Government's major objectives, we should look to do the same in Scotland and find opportunities to join up industry and academia, get some lecturers working in the oil and gas, renewables and other energy sectors to see what it is all about and ensure that that goes back in to form a curriculum for the future that will bring in—and build in—employability, skills and so on. I know that the Scottish Further and Higher Education Funding Council is looking at some of these issues through learning to work two, but we need a plan that has certain key objectives and outputs. I am taking forward work in that respect, but it is very difficult to do it industry-wide and we are looking to establish a number of small projects that will, I hope, get support from the funding council and the Government.

Jim Milne: Over the past few years, I have had regular meetings with the principals of the two Aberdeen universities to discuss the sort of students that we would like them to be turning out. After all, we do not want universities to be turning out people with degrees that no one wants. We have to bring industry and academia closer together so that we can have, for example, more engineers—we are always looking for plenty of engineers—project managers and people like that. I think that it is a shame that guys study for five or seven years and cannot get a job at the end of it. We are all looking for good guys, but I am afraid that at the moment we are not looking for lawyers, who are finding things very difficult, or architects, who are finding it extremely difficult to get a job. That is very sad but, as I say, I think that it is a case of bringing academia closer to the industry. We, for example, are getting very involved with students through putting together certain exercises, establishing prizes for ideas and so on. Those initiatives have worked quite well.

Marilyn Livingstone: Gillian Black mentioned that Scotland has a great reputation abroad, which is perhaps particularly the case in the oil and gas sector. How good are we at selling or exporting our skills and knowledge to other countries? Should that not be one of our big exports?

Gillian Black: My background is in further education, so I know that some colleges have expertise in that. They have a really good go at doing that, and they do a good job of opening up opportunities in some of those marketplaces. I guess that the issue comes back to organisations taking their expertise into new marketplaces. Some colleges have had real successes in that.

Our new initiative is about trying to work alongside colleges and universities to try to strengthen such efforts so that they are not just about a single college. I remember that, a few years ago, some Scottish colleges were almost competing with each other for international business opportunities—I was as guilty as everybody else in doing that—but there is probably a bit more collaboration now, which is how it should be. Strength can come from selling Scotland the brand rather than just an individual college's expertise. That sort of strength is required in some of those marketplaces, where Scotland is really competing against the world.

Duncan Skinner: We are a little more specific in PSN, in that we have a joint venture with Aberdeen College to export technician-level training courses to our customers and to our locals wherever we work overseas. That is fairly embryonic at the moment. At degree level, we are working with Robert Gordon University on creating a virtual campus that we can tap into to provide tailor-made or bespoke courses so that foreign individuals can train to the same level as the rest of our workforce. Those are pretty innovative and interesting examples of Scotland exporting academia.

Marilyn Livingstone: Thank you very much for those really helpful responses.

I have a final, small question. We have heard from other witnesses that language is often a barrier in international markets, so we should consider including in the school curriculum languages other than the traditional French and German. If we were to give curriculum advice to schools, which languages—with an eye to the international markets in the oil and gas sector—should we encourage our young people to learn?

Duncan Skinner: That is a good question. With 57 different nationalities, which language would we choose? We can look at where the oil and gas hot spots are located in the world: the middle east, where people speak Arabic; Russia; and perhaps western Africa, where Portuguese would be a reasonable language to know. Spanish would also be useful. However, English is the international language of the oil and gas industry, just as the dollar is its international currency. Most people tend to speak English, apart from the French, who are pretty picky about both their accounting systems and their language.

Gillian Black: As I understand it, all our training in different countries is undertaken in English. However, Spanish might be useful, particularly in the Mexican marketplace, where that could be a challenge for us. Certainly when our chief exec and managing director for international business were out in Mexico, they had some real language difficulties as they could not speak Spanish and no

one could speak English. That might just be a challenge to come.

Jim Milne: English and the Doric for me, sir.

15:00

Ms Wendy Alexander (Paisley North) (Lab): For about 18 months, the commercial world has been coping with the consequences of a crunch in credit supply, which is fast approaching in the public sector. We first envisaged doing this inquiry at a time when it was assumed that resources would increase and that additional resources for internationalisation might be provided on top of other Government support for the corporate sector. That is no longer the position. Our report will probably be published on or around the date of the forthcoming budget.

In that context, I have a more general question for the witnesses. In relation to the various sorts of support that you currently receive from public agencies, whether we are talking about Scottish Enterprise's support for high-growth companies, work with the energy sector, work on commercialisation or work on skills, where does the internationalisation agenda come in the list of priorities? If we are to recommend that more money be spent on that agenda, that will mean that we stop doing something that we currently do. Is there something that we do that adds little value to your activity and which we could stop doing? You talked about how well geared up the oil and gas sector is, so perhaps the provision of lots of extra resources for internationalisation through SDI is not the most effective governmental intervention that could assist your sector.

Your thoughts would be helpful, given that we are operating in a climate in which in order to increase resources for internationalisation, we must stop doing something else. Is internationalisation an appropriate priority in the current climate, or should something else be higher up the list?

Duncan Skinner: I suggest that we flip things round a little and barter. The industry would be delighted to use private resources to provide a network to help Scottish companies. That is something that Government could perhaps stop doing, and it could then divert resources into the same industry with more efficacy.

I would particularly like there to be more ambassadorial work for Scottish companies, because the more we can develop overseas and the more big business we can do, the better. Perhaps delegations could go to oil and gas hot spots. Maybe people could just lift the phone and ask us what we are doing and what we would like to do and can do, so that Government can tap into

our needs in a very specific way. That would be a good trade, which would be mutually funded.

Gillian Black: I do not think that I can add anything from an OPITO point of view. We tend to self-fund developments. SDI recently put funding resource into the colleges, in the context of the resource that is required for projects that we are taking forward—we have several projects in the pipeline, and it is about how the colleges drive them forward. That is welcome resource from SDI, but it is fairly minimal. We are not talking about huge sums of money.

Duncan Skinner's point about an ambassadorial role was a good one. Such an approach could be used to promote Scotland as a whole rather than pockets of it.

Jim Milne: I would say much the same thing. We do not want handouts. However, let us show the world that we are serious about the oil and gas industry. How many times has our oil minister changed? The industry does not say much about that, but quite frankly it is embarrassing. If these guys are really known to the top Government officials in countries that have oil and gas, it is a great help to us to have them come along, show their face and talk about opening even bigger doors for us. Normally we open the doors for ourselves, or we knock 'em down and do not take no for an answer. If we had ambassadors with us, that would go down well, rather than sending a block of politicians—I was about to say "on a jolly", but I am too shy to say that. Ambassadors could be used in a more targeted way, in delegations or at big shows; that used to happen, but now they are in and out and if you blink you miss them.

Someone who did a phenomenal job for the industry was John d'Ancona. I wonder whether Wendy Alexander remembers him. He was some guy. Not everyone loved John—he was a bit of a rough diamond—but he did a phenomenal amount for the oil and gas industry in years gone by. He and Sandy Maule were extremely well known around the world. These are changed times, but they had real teeth and they used them.

Ms Alexander: I am all for that.

Christopher Harvie (Mid Scotland and Fife) (SNP): John d'Ancona is interesting, is he not? That was a period of fairly major Government intervention in the North Sea, through the British National Oil Corporation.

To give some context, I was asked to speak to the energy directorate in Glasgow about a month ago on the lessons that we can draw from the North Sea experience to apply to renewables. One thing that emerged from considering that experience, and the growth pattern of gas exploitation in particular, was the fact that one was dealing with a solid state machine back then. That

is not apparent now—various figures are moving in and out.

What differences or continuities do you see between the problem of establishing a renewables regime in and around the North Sea and the northern islands, and the experience with oil?

Duncan Skinner: That is very topical, given that we held the all-energy conference here last week. I attended a dinner at which Jim Mather spoke on that very topic. I made the point, with regard to BNOC, that we started our oil and gas business in the UK with a national oil company, in the same way as most others do. Eighty-seven per cent of the world's oil and gas is owned and controlled by NOCs, and only 13 per cent by international oil companies. We are in the minority in the UK.

The UK requires a BNOC-type organisation to manage the end game and maximise the return for the Exchequer and for the country. Today's *Financial Times* mentions the first ever challenge to transmission schemes and tariffs across owned platforms by Endeavour International against Nexen Petroleum. It is an interesting concept, in which the Government can take the lead in creating a company such as BNOC to manage the end game.

The opportunity in renewables will be a jobs bonanza not in operations and maintenance, but in capex. The real prize, however, is the powerhouse that Scotland could become. The renewables sector is tailor made to be our national industry, as we are now more mature than we once were in running nationalised industries. We can now deal with a nationally run corporation in a commercially proper way, which was not necessarily how things were done in the past.

There is a fantastic opportunity to segue straight into that industry, especially as we would, as a country, be just one client. The renewables sector is so fragmented at present that people do not know what the client wants. As Jim Milne said, if you do not give the client what they want, you are failing. We do not know who the customer is, so having the country, or such an entity, as the customer would be a fabulous step forward—and, of course, a brave and bold move.

Christopher Harvie: I think that the ghost of Tony Benn—were he around—would be overjoyed at that statement.

Only 10 years ago, the price of oil was down at \$10 a barrel. I do not think that that price will ever be seen again. At what point do you think that your fairly predictable relationships with the oil industry will be put into what could be described as a peak oil context—at the top of the Hubbert curve, where the only road is downhill? Do you see that having an effect on you or do you see the rising price as a stabilising factor?

Jim Milne: We all want to see stability in the oil price. I am quite surprised that it is down at \$60, \$65 or \$70 a barrel just now. It is an accepted fact that \$80 a barrel would be a nice little benchmark for the producer and the user.

You asked whether we are at peak oil yet. Matt Simmons would tell you that we are past peak oil. If we are past peak oil, gee boy! One of the reasons why we are so busy is that oil in any quantity can now be found only in deep water. Of course, the deeper the water, the larger our product portfolio.

Having said that, oil companies have planned three, five or seven years ahead. I am still amazed at the knee-jerk reaction from the oil majors when the price dips for a while. I can never get my head round that, because they know fine that it will always go up and down—you just need to track it. I have lived through five ups and downs.

The big concern that the world should have is not how low the price is, but how high it might get. Wars and rumours of wars do not help either. The Russias of this world now use oil, not guns, as a weapon. It is the same with gas. It is a big concern, but if the price stays at around \$80 or \$90 a barrel—this is not really my view, but the world's view—that would be a nice benchmark. Do not be surprised if within a year it goes up to \$200 a barrel—that is the volatile market we are in.

Duncan Skinner: The price is extremely volatile, but three years ago the oil and gas industry would have been quite happy with \$50 a barrel. The industry can manage at most prices. Jimmy Milne hit the benchmark: everyone would be quite comfortable with \$80 a barrel.

On the fundamentals, the International Energy Agency is predicting a global demand in 2030 of 106 million barrels a day. We are currently producing 88 million barrels a day, and it is becoming harder to get. Whether it will be possible to get to 106 million barrels a day is debatable. That figure was marked down from 116 million barrels a day just last year. At the peak of the recession, we grazed on 82 million barrels a day of production. Although the price came down from \$150 a barrel to \$35 a barrel, global demand and production reduced by less than 10 per cent. People will keep pumping oil. The fluctuations come in at the cost base for the heavy asset owners—the rigs and vessel owners—whose prices are market led. If they can come to a more mature way of managing that on both sides, things can be an awful lot easier. It is a people business, and a business that is focused only on looking after existing facilities. We see little difference in our business. Our profits grew, on a constant currency basis, more than 20 per cent last year in the peak of the recession.

Christopher Harvie: I would like to ask a sort of blue-sky question. We have seen a crazy situation in terms of the basis of finance over the period of the boom and the depression—at one stage, the amount of money that was in circulation around the exchanges of the world was about 13 or 14 times the gross national production of all the countries in the world.

During our banking inquiry, there was a lot of speculation about whether it would be logical to arrange the valuation of international currencies not in a sort of marginal utility sense, in which they can be blown up by speculation, but in a way that is based on a bundle of factors that are basically to do with energy. Do you agree that that might be sensible?

Jim Milne: Before I forget, on the issue of price, I should add that we should bear in mind that it costs at least 15 or 20 per cent more to get oil out of the North Sea than it costs to produce oil in other parts of the world. That is our problem. If the price of oil goes too low, a lot of projects in the North Sea will be shelved.

Christopher Harvie: I am suggesting not that the prices would be brought down by the proposal, but that it would give stability to the structure.

15:15

Duncan Skinner: As the chief financial officer of a company that operates in 27 countries and has 157 bank accounts and 49 legal entities, I can say that, if we had a single currency and exchange rate stability, it would make my job an awful lot easier.

With regard to your blue-sky question, the global economy is so complex and involves so many different factors that it would be arrogant of us to think that oil and gas could or should be the linkage. That said, exchange rates are certainly a key factor. This morning, the oil price is down to \$71, which is very much due to exchange rates, as the dollar is down at \$1.42. A more stable exchange mechanism would be welcome.

Jim Milne: It was not very long ago that the oil industry was thinking of changing from the dollar to the euro. I wonder what it is thinking today. The world changes very fast.

The Convener: We have time for a quick question from one of our guests.

Brian Adam (Aberdeen North) (SNP): Given the near-heresies that Duncan Skinner has expressed, with his talk of an emerging, nationalised global industry and a single currency for the world, I should perhaps bring us back to the question of how we are going to improve exports.

The only way in which we will get out of our current difficulties is through growth, and the potential for growth in the energy business and the associated manufacturing business must be pretty big.

In the context of a highly integrated industry with a fairly long supply chain, can you give us your view about whether the experiences of the oil industry are unique to that sector, and therefore offer no lessons for other sectors, or whether we can learn from the explosion in the internationalisation of oil industry business that has taken place in the past decade, which has seen a lot of the Aberdeen-based businesses that were traditionally focused only on the North Sea shift their focus elsewhere? Can the service industries and the manufacturing industries, such as the Balmoral Group, learn from those experiences and apply those lessons in other parts of our economy?

Duncan Skinner: That is a great question. The key word that you used is “experiences”. In the oil and gas industry, we have a transient customer base. The IOCs tend to send their people to various places around the world. They like to stop off in Aberdeen and work in the UK sector, which tends to pioneer new approaches in the service sector. That enables them to gain good experiences. When they then go to Melbourne, Manila or Mexico, they rely on those experiences and tell people that Scotland has developed better ways of doing things, and they will ask people from Scotland to come out and support them in those areas.

That approach applies down through the supply chain. We take our subcontractors overseas with us—they are the people with whom we have good experience, from their service to us here in the UK. That becomes self-perpetuating as a business development tool. Is that appropriate for other industries? I am not sure that the customer travels around as much as that but, to the extent that they do, it is a very good model.

Brian Adam: You indicated earlier that you thought that SDI and the SCDI do wonderful work, but that you would like to get more opportunities from incoming delegations than is currently the case. Is there a role for Government in that area? In particular, is there a role for Scottish Enterprise in ensuring that any incoming delegations engage widely with industry interests?

Duncan Skinner: Absolutely. If there are oil and gas delegations in the country, it is incumbent on any of the agencies to alert the oil and gas community and ask for interest in meeting them. The SDI example that I used represents one of my few dealings with it, and it was very useful, as it introduced us to the right people. We followed that up with them in their own country.

Brian Adam: Is there some evidence that there is a failing in the current arrangements? Can you identify some examples on which you might wish to write to the committee?

Duncan Skinner: I have to express ignorance in that regard—I do not know how many delegations to Scotland are sponsored by SDI. I have come across only one or two. I cannot really comment further. If there are lots of them, we are not hearing about them.

Gillian Black: It is important that they are not just aspirational—that, if there are more inward delegations, they bring real, live opportunities. We might consider where there is already a track record with an emerging market, rather than just looking to an aspirational marketplace.

The Convener: I am afraid that time has defeated us. I thank the panel—Jim Milne, Gillian Black and Duncan Skinner—for coming along and for their very useful evidence.

15:21

Meeting suspended.

15:25

On resuming—

The Convener: Our second panel this afternoon is from the food and drink industry. I ask the two witnesses to introduce themselves briefly, tell us whom they are representing and make any opening remarks if they so wish.

Paul Grant (Mackay's Ltd): Good afternoon. I am the managing director and owner of Mackay's. Based in Arbroath, we are the only marmalade makers left in the world from Dundee, the home of marmalade. Since 1995, when I bought the company from my previous employer, United Biscuits, we have built a business that works in nearly 45 markets throughout the world. Thirty-five per cent of what we do is exported and we have recently spent £4.5 million on a new facility in Arbroath that has substantial capacity for growth. At the moment, we have 135 employees.

Charlie Devin (Lossie Seafoods Ltd): I work for Lossie Seafoods, which operates out of Buckie. As you will have gathered from my accent, I am from the Orkney Islands, not Buckie.

As producers of high-quality niche-market smoked salmon, we focus on exports, with 97 per cent of our production being exported to 29 countries around the world, and we have just spent £500,000 on upgrading our facility to produce more product. We think that we have a good future in the export market, which, as I say, is our target. Our strategy involves not being interested in UK business, and especially not UK supermarket business.

The Convener: Why have you focused on the export rather than the domestic market?

Charlie Devin: As a company employing only 40 people, rising to 55 or 60 at Christmas time, we feel that we are too small to take on the UK supermarkets. However, we have been exceptionally good at targeting the export market—with a lot of help, I have to say, from SCDI missions. About six or seven years ago, we gave up white fish, sold our two white-fish retail shops, invested the money in the smokehouse and put all our efforts into salmon production aimed at the worldwide niche market. Up to now, it has paid us to go down that route.

The Convener: As a small company, how have you identified markets for your product?

Charlie Devin: We had exhibitions in several parts of the world. Part of our strategy was the more unusual the country, the more we would go for their business. As a result, our small company was the first to take Scottish smoked salmon into Mexico, Denmark, Beirut, Jordan and Moscow, and even after five years we are still the only guys in Beirut and Mexico.

The Convener: Paul, when you took over the company, did it already have a large export business, or have you developed that?

15:30

Paul Grant: When I took over the company, there was zero exporting. For 25 years, it supplied United Biscuits with the jam that went between two biscuits. In 1995, the branded sales amounted to £10,000 a year. Today, the figure is nearly £10 million.

I am in a slightly different position from Charlie Devin. When I left United Biscuits, I said to myself that I would not supply a supermarket because I saw the margins being squeezed in companies of scale, so I decided to focus on the independent trade in the UK and on exporting. Very soon—within 12 months—it was quite obvious that we could not achieve the volumes that we had an ambition to achieve without considering supplying UK grocery supermarkets. On the back of the closure of Wm Low and its buying by Tesco, we got the chance to break into supplying Tesco with a branded product.

My view is that if a company is not supplying a UK grocery company on a national basis—by which I mean a UK basis—it will not be competitive enough to be a competitive exporter. In other words, a company needs to have some scale behind it as regards purchasing and economies if it is to be competitive on an international platform—I am talking about volume selling as opposed to niche selling.

The model company that we have followed on the journey has been Walkers Shortbread, because our products have similar characteristics. We both make authentic products from Scotland that have a good shelf life. Walkers' products have a shelf life of a year or so, and ours have one of two to three years, which means that they are highly appealing from the point of view of low-cost transporting.

In addition, our products are understood, so there is no need for education. We do not need to answer questions such as, "What is marmalade?" or, "How do you use it?", which is rather important. Walkers has done a magnificent job across the world in establishing Scotland as a place that produces quality, ambient grocery-style products. That has given us the opportunity to follow with products of a similar nature.

The Convener: Have you used organisations such as the SCDI and SDI to develop your international trade?

Paul Grant: Yes, we have—that is very much the case. Essentially, we have been a business creation case study. Charlie Devin and I were on a mission together in the late 1990s. We used the old Food from Britain organisation. Today, we use SDI. We take part in trade shows and missions initially, just to get our products and our company known across the world—it is necessary to have some kind of shop window. We continue to exhibit in trade shows, which is working for us. For example, we have taken part in Gulfood for the past three years and we take part in ISM in Cologne every year. The opportunities at the fancy food show in America are limited.

We are involved in other activities as well, for example SDI initiatives such as meet the buyer. That extremely important initiative involves SDI bringing potential customers into this country, shortlisting supply companies and fast tracking us to customers. The process is quite quick relative to how long it would normally take us. Missions to various countries are still important, too.

The Convener: Christopher Harvie has to leave early, so I will invite him to put his questions first.

Christopher Harvie: I must admit that one of the few totally unalloyed pleasures that we get in this committee is that of coming across small Scottish producers, usually of foodstuffs, that are positively euphoric in their enthusiasm for their products—that was certainly true of Mr Tunnock—and seem to have been highly successful selling to extremely exotic places.

On the other hand, we found our encounter with companies that are involved in the production of the greatest and most Scottish of all export articles, whisky, to be rather painful all round because of all the worries about that industry,

which are of course related to the fact that it belongs to a huge international combine that is rationalising intensely.

The same sort of thing could be said of, for example, the textile industries in the Scottish Borders, which once had recognition, and, of course, Harris tweed, which, astonishingly, seems to be in a crisis of existence. What separates the success that you have had in a niche market from the problems that growth seems to bring to other niche Scottish products? Is there a point that you reach at which there are problems?

Paul Grant: From our point of view, it is important that you have a genuine, authentic story to tell. The fact that marmalade and Dundee are synonymous and the fact that we still make it in the traditional way are fundamental. The second thing, which is very important, is the taste of the product. Most of us treasure what we do. We do not take advantage or degrade ingredients; we go for value, not price. On that basis, we have not only a story to tell but a product that tastes very good. When consumers or customers are introduced to the product, they are surprised by how good it tastes. Those are two very important characteristics. You cannot only tell a story; you must also deliver as a product.

Charlie Devin: I agree. We have tried to build our business on quality, and not only quality product but 110 per cent service and back-up, especially when there are problems—and believe me, there are plenty of problems with air transport and trucking companies in Europe every week.

We were a small company when we had a turnover of £1 million, and we thought that when we got to £2 million we would be making a fortune, but that did not materialise. It seemed that everything else came up behind us, although we moved ahead. However, in the past three years our company has shown growth of more than 35 per cent, and in 2009 we had 40 per cent growth. This year, up until March, we still had a lot of growth and the profits were coming through, but now that we are into April and May we are having a hard time. I think that this year will be the toughest year that we have seen. The cost of our raw materials went up more than 50 per cent in three months, which caused mega-problems in the market.

If I can go back to the supermarkets, we will take them on but with our brand, not a Safeway, a Morrisons or a Tesco brand. We are too small to do that; we cannot cope with buy-one-get-one-free offers.

Two of the top establishments in the world are on our customer list—one is the seven-star Burj Al Arab in Dubai. We supply it directly twice a week—our produce is flown in fresh. We supply

Caviar House & Prunier seafood bars and retail establishments at all the airports in London and, starting in a month, at all the airports globally that it operates in. Switzerland and Italy are our two biggest countries. We are possibly the biggest Scottish producer that is putting stuff into Switzerland.

Christopher Harvie: Can I ask you about banks? Are your banking relationships sustainable in the pits as well as in the periods of advance? That issue was raised with us by bank customers in our banking inquiry.

Charlie Devin: My company's biggest problem has been credit insurance. The insurance guys got cold feet and slashed our limits for customers. Last Christmas was a nightmare for us. We had to put a lot of pressure on our second-biggest customer, because her credit limit was cut back to £50,000 when she needed £300,000. We had to put pressure on her, which did nothing for customer relations. When she broke £100,000, or £200,000, which we gave her off our own bat, she had to clear that debt before her next order was sent. However, the customer was able to do that, which made me question the credit insurance guys: what customer information were they going on? If the banks had been squeezing that customer, she would never have been able to transfer money into our account.

Paul Grant: On the banking side, I think that I said to you that we have just spent £4.5 million on a new factory, which was £1 million more than we planned. Some of that overspend was the result of good, genuine reasons and some was not. It would be fair to say that the overspend, which occurred in the past couple of years, made things difficult for us. It was a question of whether the banks believed in our plan, and I had to make some quite serious commitments with regard to house security and my full pension. However, at the end of the day, we have traded through the situation very well and the bank has told us that, if we deliver our plan for this year, it will support us on most of the things that we plan to do.

There is a great degree of nervousness out there. If a company is not delivering to a certain margin or is moving backwards, the climate is extremely difficult.

The other unfortunate factor is that we are being charged with additional costs that we might not have incurred in the past. For example, on our cash flow side, we are being charged facility fees that we were not subject to in the past and are being told that we must now have credit insurance on our cash flow facilities.

There is no point in beating about the bush: we are in an extremely difficult climate. If you have a business that is working for you as it should be,

the situation is manageable. However, if you have a start-up business, I hate to think how you would cope. In today's world, you certainly would not be an owner—you would have to share equity with someone else. However, part of the excitement of starting up a business is owning it, and it is quite scary that that is in danger of being lost.

Lewis Macdonald: How do the industry groups that you belong to operate? What role can the overarching body Scotland Food & Drink play in promoting export? For example, in the salmon sector, does the Scottish Quality Salmon mark and the association that goes with it have a role in promoting exports or supporting you once you have identified markets, or is it simply a quality assurance device for your customers? Similarly, with regard to marmalade, is there an industry network that offers that kind of support overseas?

Charlie Devin: Scotland Food & Drink can take forward the industry overseas. I am quite sure of that. We put on exhibitions, and SDI, Scotland Food & Drink and the Scottish Government help the salmon industry by taking a Scottish stand at the Brussels seafood show, which is the biggest seafood show in the world. Scotland's seafood sector is well known in Brussels, but without the support of those bodies and the provision of a Scottish stand, we would get lost in the crowd—if Lossie Seafoods had a stand on its own, we would never be seen. It is important that big groups ensure that there is a Scottish presence at such exhibitions. The Scottish presence in Dubai helps to open doors for us in the middle east, as well.

Paul Grant: Scotland Food & Drink is important because it is an umbrella organisation that enables companies to come together to network and share best practice. I have been involved with it for quite a long time. In the early days, its international focus was a bit limited, but it has realised that international opportunities are critical to Scotland, and it is taking them more seriously now and working more closely with SDI than it used to. That is important because, if your products are right for internationalisation, you need there to be organisations that can help to open doors, put on exhibitions or go on missions. Those are expensive things to do in the early stages of a company, although it may be different later on in life. For us, not having that sort of thing behind us in the early days could have been very expensive.

15:45

Internationalisation takes time. People seem to think, "The currency's right today, so why isn't everybody exporting?" The truth is that businesses cannot suddenly export. We have been working on our international network for more than 10 years, creating the customer base. As I think I have told

you, we operate in about 43 markets across the world, but we have 80 customers. That is because we have two brands—a brand for supermarket business called Mackay's and a brand for the independent business called Mrs Bridges—so in some markets we have the chance of selling to two customers with a different focus through different channels.

In the early days, 10 to 15 years ago, people would place risky orders in the belief that they would sell a product. We are lucky, because our products have a good shelf life, so someone can order a container, which is sensible price-wise and distribution-wise. That was a very nice order for us. However, I am afraid that it has all changed, and it is all about cash now. People initially order only what they can afford to order, and the volumes then grow on success, consumer response and getting listed. It can take a year or two before there is momentum in a market. A product needs to get listed, to get consumer response and to get another listing from somewhere else that has seen the product selling well in a different organisation. We are talking serious timescales to create volume on an international platform, and some of the small to medium-sized companies just do not have the resources for that or are concerned about how much time it will take and what the cost will be. To some degree, that is a reservation for them. We all hear companies moaning about the margins of UK supermarkets. The best way to deal with that is to find new, alternative channels and focus on development.

Lewis Macdonald: Do you regard that such limiting of sales volumes by customers' cash flow is a feature of the recession from which we are recovering or is it a permanent market change?

Paul Grant: No, the change has been coming as people have focused on cash. The recession has made things harder, of course, but the change was happening before that. The move to cash resources and the sharpening up of industries and companies were happening before the banking crisis. Nevertheless, that affected the volumes of the early orders and people's concern about having to create stock that they might not sell because the international orders would not be as great as they used to be.

Lewis Macdonald: Does that imply that a different model of support for exporters is required either in Scotland or throughout the UK to address the issue of less credit being available for forward sales?

Paul Grant: The important thing is to support initially what you can do in terms of market entry and anything related to how you can grow your business, because the profitability will not come until year 2 or 3. I will give you a good example.

We went into India three years ago—ours is the only British product there. In the first year, we sold 2,000 jars; in the next year, we sold 16,000 jars; this year, we will sell probably 70,000 jars. However, the importer is telling us that, next year, he expects to go into 20ft container orders of 20,000 jars a time. That has taken four years and ours is the only British imported brand in India—we are competing with Hero. That is four years of business on which we have made no money, but we are totally committed, because we know that, in the end, India will be an important market for us. That is a small example of how long it takes to fund export market entry and development, and for us to fund it we need a strong core business at home or in another market—in the UK, that is Mrs Bridges and some contribution from UK grocery. Without our Mrs Bridges UK business, we would not be as easily able to support our export endeavours.

Lewis Macdonald: I have one other question on the issue of private business networks, if you like. Paul Grant said at the outset that Walkers provided a model for how to grow. Was there an active mentoring relationship or did you simply read the textbooks and Walkers annual reports? Did Walkers actively support, advise or discuss with you how you might follow its model, or was that something that you did at your end?

Paul Grant: I was fortunate that I was up here from 1976 to 1980 running Simmers—lovely biscuits—for United Biscuits and I met Jim Walker through that process. When I returned here 20 or 30 years later, we at least knew each other and he was intrigued by what I was doing. We used to meet at trade shows and at various other events. The truth is that he has certainly shared his experiences with us. We have 15 export customers who are also Walkers Shortbread importers. Having one traditional Scottish product alongside another Scottish product with ambient-type characteristics is very appealing to them. However, there is nothing more than an arm's-length-type, mutually supportive relationship.

Rob Gibson: I had not thought about having marmalade on my shortbread, but I get your point.

What more informal activity would be good for your businesses? There is talk of global Scots and the Scottish business club. Have such informal relationships been a help to you, or could they be?

Charlie Devin: I think that they will be a help to us, because it is more about the people in the business than the marmalade and the smoked salmon. If you have the right people in your business to start with, you will have a successful business. That is part of our strategy. We have just hired two pretty high-powered guys from the smoked salmon plant that was shut down in Inverness by the big conglomerate, the Seafood

Company. Six companies tried to get them, but we knew them and they phoned us and said that they would like to come and join us if we were looking for two guys. We took them on and they have made a vast difference to the running of our company in six months. There are four company directors but only two working directors. We have 25 per cent each—John Cowe does the production and I do the sales and marketing. You have to have the right people in the right place. The global Scots I met in the middle east can certainly help us in that market, because they know it. Using global Scots is quite a cheap way of doing things. There is no big office or anything to support; there is just the guy who can help you.

Rob Gibson: Other witnesses have suggested that large Scots companies out there could provide space for a desk so that you could develop alongside them, for the price of putting in a telephone and so on. Is that an attractive idea, or are you looking for SDI directly to provide services that it does not provide at the moment?

Paul Grant: We are looking for the SDI relationship. For instance, in America we have just been listed in HEB, which is a major supermarket chain, and Kroger. Both those initiatives came from introductions through SDI. One was through a meet-the-buyer event and the other was through my talking directly to the HEB's buying director, introducing our American importers to the buyer and so on. Genuine global Scots who are committed and who are in the organisations that can do business with you, as opposed to people who undertake an ambassadorial role, are really important.

One recent initiative that I think has been very interesting, particularly with our new factory, is that over the past two years we have been bringing in not just our customers' owners or managing directors from around the world but those companies' sales teams. Five Americans visited us four weeks ago, and we have had visits from three salespeople from our Irish importer, seven people from Germany and two from Sweden. The American visit was a third sponsored by Scottish Enterprise—although the others were not—and all the visitors were delighted with the outcome. Being able to introduce key selling and marketing people to our company in our country, where we make the product, has made a huge difference to those organisations. Rather than holding boss-to-boss talks, they are getting down into the organisation and ensuring that those key people are part of a very important mission.

Coming to Scotland is a great thrill for most people. The trips involve a combination of visiting the company and coming to a dream-type place—as these people love to do—where they can play a game of golf or whatever. That is a fantastic

situation, and it involves a low-cost investment, because those people are, generally speaking, involved in owned or small to medium-sized businesses. They do not travel first or business class; they travel on discount airlines in their own countries and they are more than happy to do the same when they come here. It is a very modest cost for something that can bring great gains, and it should be seriously considered.

Charlie Devin: That is correct. We had six Germans in last week, and there is no question but that that approach pays dividends.

Our company is small in comparison with Paul Grant's business; our turnover is £6.5 million. When we eventually found the right partners to run with after prospecting for customers, I included 10 or sometimes 20 small packs of salmon free of charge with every order—big or small—that I sent out. I did that for four or five months, to help our customers to build their business and to help us to build ours. It allowed the salespeople to take the packs out and let people taste the product.

I believe—and I think we have proved—that when people taste our salmon, they buy it. We have exceptionally good smoked salmon—Paul Grant said the same about his marmalade—and we have built the business on that. Sending out the free packs is a very cheap way of getting new business, as 10 100g packs add up to only 1kg of salmon. We are a small company, but that is the way that we do business, and we have been successful so far.

Stuart McMillan: My question is on hubs. Would it be worthwhile for the Scottish Government, or even the UK Government, to invest in some type of hub facility in Scotland or elsewhere for smaller businesses in the food and drink industry, the textile industry and other industries to use as a mechanism to lower their export costs?

Paul Grant: I have recently been involved in conversations about hubs in the USA. There are all sorts of major complications. For instance, there is a need to ensure that everybody's product is there on time, and that all the paperwork and technical data are absolutely spot on. If everything was consolidated, but something went wrong with any product from any supplier, the whole container could be at risk. In today's world, the cross-checking by markets of containers on a sampling basis is more frequent than ever.

Distribution is not the big issue, certainly in relation to our products. They are ambient, so they make very easy sea freight. We can send one pallet anywhere in the world at a cost, but we can easily put 10 or 20 pallets in. As Charlie Devin said, air freight might be expensive but it is very effective these days. The supermarkets are

bringing in products from all over the world. Distribution is not an issue in terms of serious on-costs; the issues are the quality, the brand, the service and the commitment. If we get those fundamentals right, we can build the business anyway.

Charlie Devin: It can be really dangerous to consolidate cargo. We consolidate, but indirectly. We have a customer who consolidates all his purchases out of Scotland in London, and we link into that with the required paperwork. I once got caught out, some years ago, through consolidated cargo. It was not my fault—the guy who had the other fish in the container did not have the correct paperwork, and we lost the consignment. Mine would not be released, despite the fact that the paperwork was all correct.

A hub might be a good idea for ambient products. However, our product is perishable, with only a 25-day or 30-day shelf life. It must be produced, moved and delivered quickly.

Paul Grant: Charlie Devin is absolutely right. We have a number of customers who have consolidating arrangements in the UK, with other products being brought in from other places. They tend to make their own arrangements.

One thing worries me: if a company needs consolidation, it is too small to be a serious exporter, and it will never be one. Consolidation helps out the small companies, but they will never be big. This might be a harsh thing to say, but a company is not going to make a difference in exporting, in job creation or in internationalisation if it has to organise facilities in that way, as that could create more problems.

16:00

Charlie Devin: There are opportunities for different groups from Scotland, including the oil companies, the smoked salmon guys, the other fish guys, the whisky guys and the marmalade guys. I do not know how someone would go about putting this together, but if there is a biscuit exhibition, for example, brochures from the salmon guys, the oil guys and the whisky guys could be brought along. For example, I am sure that a lot of the guys who go to seafood exhibitions to buy seafood are interested in whisky, too. I do not know what all my customers buy, but I know what some of them buy. There is an opportunity to link together through marketing material. People could get some business out of that at very little cost.

Paul Grant: That is a good point. For six years now, Walkers and Mackay's have faced each other at ISM. Customers literally move from one stand to the other. Someone who has been on the Walkers stand might come to our stand—or vice

versa—and we quickly check them financially and then talk.

Once we get to that point, we find that a lot of intercompany activity goes on. In my view, trade shows are not just about our own company and introducing our products to customers; they are also about networking with other companies that have international ambitions, and learning about them and from them about customers, opportunities and markets. That activity is much more important than putting some sort of consolidating hub in place. It is fundamental to have products and companies representing Scotland in the right places.

Stuart McMillan: We have heard previously that it would be advantageous to have the relevant minister or some politicians at trade shows—they could go along with the trade delegation. Would they be a useful addition?

Paul Grant: Some sort of a reception is always appreciated. It need not be during trade hours, but probably in the hour after the show, between 5 o'clock and 6 o'clock, say. It is always appealing to have some senior person who works at an influential level. If a reception event can be linked in, that can be significant. At the end of shows, people always invite customers to go to such events. However, you will lose them if you make it two or three hours later in another hotel, for instance. The critical thing is to have some sort of reception for one hour after show closure, with customers invited. That can be useful if it is done regularly.

Charlie Devin: For two or three years, the minister attended the seafood show in Brussels on the Scottish reception night. The show ran on a Tuesday, Wednesday and Thursday, and the Scottish reception took place on the Wednesday night. A lot of people supplied food for the buffet meal, and the whisky guys supplied some whisky. That was a fantastic networking event, and we took our customers to it. A pipe band played, and Scotland was the talk of Brussels.

This year, because of the cutbacks, the ministerial reception took place at the Scottish booth. As for dishing out whisky, it was an absolute shame to see just a thimbleful of whisky being offered in each glass. Scotland is well known for its hospitality, kindness and good food—we had great food on the stand—but the glass of whisky that was offered on the last night would hardly have wet your tongue.

Marilyn Livingstone: Obviously, we are compiling a report that we will send to the Scottish Government. For the food and drinks sector, what is the biggest barrier to entering and sustaining a presence in export markets? What key recommendations should we make to the

Government about the funding that it provides to SDI, the SCDI and Scottish Enterprise? What can we do to help? What could we do better?

Paul Grant: Are you talking about what should be done for our own companies or in general?

Marilyn Livingstone: I am talking about what should be done in general.

Paul Grant: From my perspective, some great products are made in Scotland for the Scottish or UK market, but some of those manufacturers do not consider promoting the products internationally. We need to help them to understand how to position their products for other market opportunities and we need to help them to become gutsier about the international opportunities. Growing the internationalisation of Scottish food and drink is about looking in greater depth at companies, their products and where the points of difference and uniqueness are. We need to help them on packaging and presentation and on entering international markets through trade shows and so on.

We also need to be much more proactive in challenging those companies rather than letting them just operate in the way that they think is right. At the end of the day, we have some good companies with good products that think that internationalisation is either unsuitable for them or just too big a leap, when that might not be the case. They need much more proactive, rather than just reactive, support.

Charlie Devin: I agree. I think that assistance that enables companies to go to the market, such as outward missions or inward missions, should be supported. Those are already supported, but perhaps such support should be considered more seriously. Companies need to go out into the market to show their products and to prospect for new customers. Before going into exporting, people need to do their homework, which might take a year, to see whether and where their product is suitable and what the pitfalls are in that country.

There are pitfalls all over the place, so people need to be sure that they can cope if they come across them. I can cite Mexico as an example in the fish business. I would stake my life that no other Scottish smoked salmon producer will follow me into Mexico, because the first shipment would never get past customs, which would put people off completely. The paperwork is very onerous. The Mexican authorities keep moving the goalposts just when you are ready to ship.

Both Paul Grant and I have been involved in export markets, so people should never be frightened to pick up the phone and call us if they want some advice on exports. The advice comes free, if we can help.

Marilyn Livingstone: I have another—completely different—question. We sometimes hear that it is difficult to attract skilled workers into the food and drink industry. Is that the case? On exports and workforce development, I want to ask first, whether you can get the skills and, secondly, whether you get support to train people to help with the export business.

Paul Grant: Are you asking about management or factory roles?

Marilyn Livingstone: We have heard from previous witnesses that it is generally quite hard to get people to see career progression in the food and drink sector. First, can you get the people that you need? Secondly, is there support for workforce development, about which we have heard a lot—especially where exports are concerned—at management level?

Paul Grant: There are three or four critical things there. One is that a company that is going to become an exporter needs to have a very senior champion of the initiative. The organisation needs to have someone at board level or in senior management to say, “We are going to export. We are going to do it properly and professionally, and I’m going to support the organisation to make it happen.” As Charlie Devin said, there are all sorts of problems, and if a company fails on the first, second or third hurdle, it is going to lose the opportunity, because people will just say that money has been spent on the initiative, but it has not worked. Those sorts of arguments will go on, so it is really important for an organisation to have a champion.

The next problem, at the hourly paid factory level, is that products have to be tailored to the market. There are people who are reluctant to make a special recipe, to put special labels on, or to put back-labelling for language translation. It is not just about a company taking its own products and exporting them; it must tailor them to the market and meet the standards of that market. A company must be set up to do that. That is not necessarily a skills problem; it is more an organisational problem around not wanting to create confusion or wanting to be flexible or mainstream.

You asked about skills, and I heard your earlier question today about languages. English is the language. What you did not hear earlier is that other countries are learning English quicker than we are learning other languages, which is really important. The world is learning English at speed. It is the second language in educational establishments, and everywhere I go in the world, people speak English, whether it be in Japan or Spain. We do not have a single importing customer that does not have competent English speakers in their organisation. It might not be that

everyone in the organisation speaks English, but someone within the organisation is likely to be delegated to deal with the British customer because, at the end of the day, in food, a company needs to be able to explain the ingredients, the processes and all that sort of thing. The fact is that English is the accepted language. All other markets and customers are working harder on English than we are working on other languages, so it is about how we train our people to deal with international markets.

However, we need the same account management skills that we need here to deal with a supermarket or Debenhams, or whatever. It is about account management on an international platform. The scope is broader because the account management will be far more involved with money and other things, but the skills are very similar. I do not, therefore, think that there is a problem with creating people to do the job. It is more to do with their mindset, their interest and their being prepared to travel and have a disrupted life. There are such people around: our export manager came out as a graduate and went into the food programme from Scottish Enterprise. He started in export administration and grew through to what he is doing now, six years later. He is home-grown, but he is keen and has a positive attitude to the sort of job that we want him to do, and he has done it very well.

Charlie Devin: We have done a lot of in-house training in our organisation. HIE has helped us greatly with supervisory courses, and we have not been aback in putting some of our guys on those courses. They have moved up through the ranks within our organisation.

There is possibly a shortage of technical skills in the food industry—although, there may not be, but instead we just cannot afford them. We need high-quality technical people, but they are so high salaried that it is difficult for our small company to employ them. We have taken on a guy for two days a week. It costs a lot, but we are getting to the stage at which we need higher-calibre guys in our company.

Unfortunately, John Cowe and I, the two directors, are the wrong side of 60 and need to be thinking about exiting the company and getting young guys to come in behind us. That is why we took on the two top guys from Strathaird Salmon Ltd in Inverness; they are younger but have 20 years’ experience in the salmon industry. As I said earlier, I cannot believe how much of a difference the move made to our company’s internal systems in six months. We were trying to do everything—and we could not.

The Convener: I call Maureen Watt.

Maureen Watt (North East Scotland) (SNP):

When I indicated that I wanted to speak, Stuart McMillan had not asked his question, which covered what I wanted to ask.

The previous panel did not like the fact that the UK minister with responsibility for oil had changed several times, and said that that had not been good for the perception of the industry abroad. Charlie Devin also mentioned the Brussels seafood exhibition, which I have visited. I think that Charlie might well have answered this question. Is it important for Government personnel to be seen to be totally behind the food and drink industry's export drive? How does our backing of the industry in that respect compare with that in the other countries that you deal with or speak to in international trade missions or exhibitions?

16:15

Charlie Devin: I can make comparisons only with what has happened in Brussels, but I think that Scotland does pretty well. I think that it is important for the ministers who visit the Brussels seafood exhibition to show support for the industry that we are in, but I think that it is well recognised that there is support and that our seafood industry is vibrant.

Paul Grant: One of the really bad things that happened in the past few years was the loss of the organisation Food from Britain. That sent out a terrible signal to potential and, indeed, existing customers, who felt that as a result the British Government was not going to support food and drink.

However, the good news is that Scotland has responded very quickly and very well to the situation, and there have been no gaps in the process. From the point of view of exhibitions, where we represent the country, and missions, where we meet the buyers, Scotland has really been very good. I have said many times that I would not have been as successful in starting a business in England as I have been in Scotland. Scotland's global reputation is so positive and people are so interested in the country that it is really all for the doing and the taking, just as long as people are interested in getting behind the opportunities. As I say, if SDI and other associated bodies had not been so quick to pick things up after the demise of Food from Britain, it would have sent to the global food and drink industry the hugely negative message that we were not being represented. Thank God we are, and it is very important that we keep things going.

Maureen Watt: Is there anything that the Government and Parliament should be doing to keep that competitive advantage and show that we are totally behind the food and drink industry?

Paul Grant: That depends on what companies need. The fundamentals are certainly in place; for example, there is an exhibition programme and we have opportunities to meet the buyers. More could be done about inward missions, but that is about creating more products and brands of interest. We have our great core companies, but we are struggling to add to them. It is important that we are not seen to be samey: it cannot be seen that all we have are Baxters, Walkers, Mackay's, Nairn's and so on. Where are the new emerging products, companies and opportunities? The answers are not that obvious at the moment.

The Convener: I thank Charlie Devin and Paul Grant for their evidence, which will be very useful for our inquiry. You have done almost as well as Boyd Tunnock in promoting the quality of the products that your companies provide to the world.

That concludes the meeting. Our next meeting will be on 2 June, when we will be back in Edinburgh in our usual Wednesday morning slot to take more evidence for our international trade inquiry.

Meeting closed at 16:18.

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