



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 2 June 2010

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ECONOMY, ENERGY AND TOURISM COMMITTEE

18th 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 GAVE EVIDENCE:

Rupert Soames (Aggreko plc)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

Committee Room 2

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 2 June 2010

[The Convener opened the meeting at 09:33]

Decision on Taking Business in Private

The Convener (Iain Smith): Good morning, colleagues, and welcome to the Economy, Energy and Tourism Committee's 18th meeting in 2010. Agenda item 1 is consideration of whether to take item 4, which is an opportunity for us to start to consider our report on our international trade inquiry, in private. Do members agree to take that item in private?

Members indicated agreement.

International Trade Inquiry

09:34

The Convener: For item 2, we have just one witness, but an important one. I welcome Rupert Soames, who is the chief executive of Glasgow-based Aggreko plc, which is a world-leading company in the supply of temporary power and temporary control solutions. I ask him to introduce himself briefly and to make opening remarks, after which I will open the meeting to questions.

Rupert Soames (Aggreko plc): I feel privileged and pleased to appear before the committee. I come from a fairly long line of politicians in my family and I am one of the few businessmen who recognises that the truth is that politics is a far more difficult and finer art than running companies is. We are mere hewers of wood and drawers of water; the task that you face is more difficult. However, in hewing our wood and drawing our water, I hope that we create some value for the community as a whole.

Aggreko has grown strongly in recent years. When I joined the company in 2003, it had revenues of £350 million and profits of £40 million. Last year, we had revenues of more than £1 billion and operating profits of £262 million. We employ about 5,000 people around the world, of whom 375 are in Scotland. Of those 375, 185 are at our manufacturing facility. Our payroll in Scotland amounts to some £60 million a year.

The Convener: Will you outline your dealings with public sector agencies such as Scottish Development International? How helpful or otherwise are those relationships?

Rupert Soames: In general, such relationships are helpful and supportive in Scotland. We have received two major grants to assist us with our infrastructure in Scotland. The first was a grant of £900,000 in 2002 to establish our global information technology centre in Glasgow. From that centre, which employs 70 people, we support our entire global IT infrastructure. We employ many highly skilled people there and spend about £10 million a year through the centre.

Recently, we were awarded £2.75 million of regional selective assistance to help us to locate the new factory that we are building. Our current factory is in Dumbarton and our new one will also be in Dumbarton. In part, that is because of aid that we have received from Scottish Enterprise.

We have also received help from Scottish Enterprise and its partner agencies to identify and recruit 12 apprentices. We have restarted our apprenticeship scheme—we gave it up for a few years, which was a terrible mistake—and we are

now apprenticed up and doing a lot of work with apprentices.

We deal in about 100 countries worldwide, many of which are not regular holiday destinations. Our customers are in countries such as Yemen, Afghanistan, Angola and Venezuela, so we quite often need assistance at the Government level. That tends to come through the Foreign and Commonwealth Office, which assists us where it can, but we are largely self-supporting.

We are huge beneficiaries of the vastly underrated Scottish diaspora. People talk about the Jewish diaspora in hushed tones. Let me tell you that it has nothing on the Scottish diaspora—particularly of engineers. Scotland has been a net exporter of many thousands of engineers to some of the remotest places in the world and we benefit hugely from that. Burns night suppers are held in the most extraordinary places, normally with an Aggreko banner on display. That helps. We do not receive much overseas help from Scottish Enterprise; its help is much more in Scotland.

The Convener: Does Aggreko have its own connections with the Scottish diaspora or does it use the globalscot network?

Rupert Soames: We use the globalscot network a bit, but what mainly happens is that people turn up at a first party wearing a kilt—I do not do that, but I have colleagues who do. In an instant, I think that people smell each other out—I do not know—particularly in the wilder and more remote places. The ability to turn up in places and plug into a network of people who went to the same school and the same university is not to be underestimated. Many people who have come from places such as the University of Strathclyde, who are adventurous and who have gone to work overseas help one another. That has assisted us tremendously. We recruit many Scottish people into jobs overseas when they are already out there.

Rob Gibson (Highlands and Islands) (SNP): Good morning, Mr Soames. We are pleased to have you here. When firms that are based in Scotland work abroad, we are always interested to find out about what partnerships they strike up with other firms, either those of a similar nature or firms in the countries in which they work. We would like to get an idea of how Aggreko approaches the tasks that are ahead of us. A little information on that would be a help.

Rupert Soames: I will not say that we tend to operate as lone wolves, but that is the nature of our business. We have to invest huge amounts of money in our fleet. We rent out generators and sell power. To give you an idea of the scale, we have £1.4 billion-worth of equipment. When we turn up in Venezuela, Brazil or Côte d'Ivoire, the sort of

relationships that we need locally are with people who understand the local power utility and the local Government. We usually turn up when the lights are flickering, as they might be in a few years' time in the United Kingdom, so we are getting in some practice early before we are needed here. People are pleased to see us, particularly when we can promise that the lights will go on and particularly in advance of an election. Many of the countries in which we operate are democracies and it is a fairly reasonable rule of thumb that, if the lights are not on, the Government is not doing its job. Again, that is a possible lesson for the United Kingdom in a few years' time.

People are pleased to see us. When we get a contract, we typically turn up with 10 or 15 expatriates from Scotland, South Africa or anywhere. Within two or three months, that number will be down to two, because we train local people. I cannot say that we draw many other Scottish companies with us in doing our work. We draw a lot of Scottish subcontractors into the product that we manufacture in Dumbarton, but that is for our own use. We cannot claim that we are like a shark with a lot of pilot fish swimming with us. If anything is within range, we eat it.

Rob Gibson: You meet and pick people from countries and then train them under your own steam, which means that you do not need so many of the services that small companies require.

Rupert Soames: I think so. We are very self-sufficient and we kind of like it that way. I for one have no issues with smaller companies that are not so self-sufficient being supported. If we ask for support, getting it can be a long and painful task. It is worth asking for big support, such as that for our factory, but we will not ask Scottish Enterprise for advice on how to operate in the Democratic Republic of the Congo because, on the whole, we are probably better informed about that than Scottish Enterprise is. However, that might not be the case for other companies.

Rob Gibson: We have heard that big companies that are based in Scotland could provide a desk or space for other Scottish companies that are moving in that direction. We are interested in that role. Is your point that the nature of your work is more about emergencies and not the long-term involvement that other bigger firms have that allows them to help the pilot fish?

Rupert Soames: We give help to other companies through the diaspora. When someone from another company turns up on an Aggreko site and says, "Hello there," immediately five people fall out of a container and the person is taken in and they share a dram and all that sort of

stuff. We help in that informal way, but you are absolutely right that we are mainly a temporary power business. Most of our contracts run on three or four months' forward notice, with the customers constantly making up their mind whether they want us to be there in six months. We are fairly ephemeral.

Our offices are 20ft containers—we make our offices and our accommodation containers, where people live, look like generators. There is a good reason for that. If any of our sites is attacked, the attackers would have to open up 85 boxes to find which ones have large chunks of moving steel in them and which ones have people in them. We are very self-contained behind a barbed-wire fence over which we provide power. We do not have big offices. We are quite friendly, though, if somebody rings us up and says, "Could you give us a hand?" We are pathetically grateful that anybody thinks that we might be able to help, actually.

Rob Gibson: Thank you.

09:45

Marilyn Livingstone (Kirkcaldy) (Lab): You talk about your company being self-contained. Do you have any issues with recruitment, particularly here in Scotland?

Rupert Soames: We do. That is something on which we have been reflecting, and I am glad to have the opportunity to bring the issue before the committee. It has been much more of a problem than I thought that it would be to recruit non-Scottish people into our head office, here in Scotland. It is a serious issue, as our business worldwide is a rich tapestry of Australians, Indians, Chinese, Africans, Arabs, South Americans, people from Louisiana and Canadians. We are a completely diverse conglomerate, which is what we have to be as a global company, yet our head office—God bless it—is, broadly speaking, staffed only by white Scots. When we try to recruit people to our head office in Glasgow, not only do we find it difficult to persuade people from outside the UK to move to Glasgow and Edinburgh; we find it difficult to recruit English people to come and work in Glasgow. Why is that? I am not sure.

If Scotland wants to be a home for large international companies, it is important that they are able to attract people. It is not a matter of paying money; it is about making Scotland an attractive place to be. I will try to choose my words carefully. Care needs to be taken that the natural and justifiable pride that people take in Scottish life, our culture and our history does not sound to the outsider's ear to be something that excludes rather than includes. There is a danger that the very cultural identity that makes Scotland such an

attractive place for people to visit may make it seem a difficult place to move one's family to in order to live and work here. I interview people and ask them whether they would like to move here from France or South America, and it is quite difficult.

Curiously, one of the difficulties—knock me over with a feather—is education. Last night, I visited a website that is much beloved of expatriates: it is every expatriate's guide to life wherever one may go. As you might imagine, there is an enormous tab for tax, but there is also stuff on living in the country. There is a global directory of schools that offer education to international students at secondary level—schools that offer the international baccalaureate, the American schools and the like—and I had a look at all the international schools that exist in the UK. The drop-down list helpfully started with Aberdeen—that was a good start. It went on to list Abingdon, Altrincham, Bridgwater, Burgess Hill, Croydon, Cobham, Exeter, Haslemere, Hastings and Hove. At that point I gave up, having found no mention of a school in either Glasgow or Edinburgh where, for example, somebody who has been through the American system can come and continue their education.

We do not have that problem anywhere else in the world. We go to Singapore, Australia, Rio de Janeiro and so on, and everywhere there is an American school or an international school. Especially in Edinburgh, we have world-class education establishments and the city is a magnet for university students but, curiously, the secondary education in Scotland is very much limited to the Scots system. We have had big problems when we have said to people who are going to move here, "There are great schools," and they have said, "For what?" When we looked into it, we found that people do not want to come out of their stream of education, and in other locations they do not have to do that.

To be even more controversial, I think that there is something in the tone of our politics between Holyrood and Westminster. There is naturally, shall we say, sand in the oyster that everybody hopes will create a pearl, but there is a danger that, to outsiders, it begins to be seen as concrete. I know people who hesitate to come and live and work in Scotland because of a fear—I know that it is misplaced, because I work here—that Scots want Scotland for the Scots. Occasionally, an anti-English tone can creep into political discourse. A committee that concerns itself with inward investment needs to be aware that that is heard both by English people and by foreigners. Perhaps it is truly an example of dog-whistle politics, because it is not the meaning of the words that are said but what people subliminally hear. That can be damaging to inward investment because it

makes people worry that the community to which they are coming is exclusive and not inclusive and welcoming.

My message on the issue—thank you for raising it—is that Scotland wants successful international businesses to invest in Scotland and feel comfortable having their headquarters here, that we therefore need to attract successful international businessmen and businesswomen to come and work here, and that Scotland needs to be a welcoming environment not just for them but for their families. People need to know that, when their children go to school, they will not be bullied for being English, French or whatever. Actually, I think that they are much less likely to be bullied for being French. There is a fear about such bullying and, to my knowledge, there have been examples where people have perceived that it has become an issue in the schoolyard.

Somewhere in the messages of what a wonderful, deep culture Scotland has, how proud is our history, how great are our human resources and how strong and self-sufficient we are must also be a message that Scotland is an inclusive and cosmopolitan society where foreigners and indeed even English people are made to feel hugely welcome and to feel part of a community where they can come and live and work happily.

That was a long answer to your straightforward question. I apologise for that, but it is something that we have thought about.

Marilyn Livingstone: There is a lot in what you have said. I am sure that some of my colleagues will want to ask further questions about that. I think that, as Scots, we would like to be seen to be welcoming, so we will take your points very seriously.

Can I ask you about recruiting home-grown talent, or people who already live here? You said that you have reopened your modern apprenticeships scheme. I am sure that all members of the committee welcome that, because it is giving young people, in the main, a chance.

I want to ask you a little bit about our education system. Are our schools and universities preparing people for what you need? For example, one issue that has been raised is whether we are teaching the correct languages in our secondary schools. We tend to offer French and German. We have heard from other witnesses that we perhaps need to look at some issues in our curriculum. I would like to get your view on that side of the coin, if that is possible.

Rupert Soames: I am very nervous about commenting on the issue. It is one of these areas where businesspeople are rather like cushions, as they bear the impression of the last person who sat on them. It is easy to extrapolate from one

particular example. I can say categorically that we do not have any problem finding the talented young people that we need to come and work for us, but the number of people that we recruit is tiny. We have 350-odd people working in Scotland. Let us say that we are growing at 5 or 10 per cent a year, so that is 15 or 20 people, 10 per cent will leave and we will fire 5 per cent or whatever, so perhaps we have to hire 40 or 50 people a year in Scotland. We do not reach deep, particularly as we have a reputation as a pretty good employer; we are one of the few places that are paying bonuses and suchlike.

One thing that I greatly enjoy doing is visiting schools, and we have a particular connection with St Mungo's in Glasgow. When you go into St Mungo's and talk to a group of children, you find that you will not meet brighter buttons anywhere and they are ambitious and so on, but then you turn round and say, "Well, I am seeing 20 pupils and they are a self-selecting 20." Who wants to spend their break sitting listening to a bald, fat man who does not support either Celtic or Rangers? They are a self-selecting group and it is quite difficult for us to reach in.

We get fantastic support from, for example, the University of Strathclyde, which we use aggressively to help us with engineering issues. When we run into a design issue with one of our gensets, we will get either the electrical engineering or the mechanical engineering department at the University of Strathclyde to come and help us out on a paid-for basis. That is a terrific resource.

The other comment that I would make about employment is that there is no problem employing Scots, because a lot of Scots leave and, at a certain stage, want to come back. Some of our most successful recruitment advertising is in America, Dubai and places like that saying, "Would you like a job in Glasgow?" All these hands come up because people want to move back to be with their families and so on.

On the question about learning French and German, you can have endless arguments about whether pupils should be learning Chinese, Arabic or whatever. That is a difficult issue, but if people are at a stage at which the question is whether they study French or German, you have won quite a lot of the battle already. The question is how many people are coming out of the education system who cannot speak English, write English or add up. That is probably a problem that the Government needs to be more worried about than whether Samantha should do German, French or another language. I would be more worried about the other issues that I mentioned.

Gavin Brown (Lothians) (Con): You mentioned that Aggreko operates in about 100

countries around the world. Are there opportunities for other Scottish companies in some of those countries that are not being taken advantage of now? You described some of the countries as not being great holiday destinations, so there may not be opportunities in some of them. However, in some countries in which you operate, do you wonder why, given that we have a great track record in this or that area, there are not more Scottish companies there? Do you have a hunch that there should be more Scottish companies in certain countries in which you operate?

10:00

Rupert Soames: It is not limited to Scottish companies. I am doing a speech this afternoon to Scottish Enterprise in which I will be making the distinction between international companies and global companies. If a company wants to be anything beyond a minnow, it is really hard. They really have to go beyond the UK—the question is where they go.

The world is an infinitely more open place. It is infinitely easier now for people to set up business anywhere they like, whether it is in North America, Europe or Asia—it is really not difficult for someone to go and set up a business in Singapore, for instance. The question is whether they have something that people want to buy, and whether they have the management talent for it.

By definition, there is bound to be hugely more opportunity outside of Scotland than inside Scotland. Scotland is, in many respects, a good place to base a business, because we have the human resources and the academic background and all sorts of other advantages—although I cannot talk for other businesses.

On the whole, most of the people whom I meet from smaller Scottish businesses understand that the major part of their market will be outside Scotland. I used to run a business that contained an Irish software business, which did banking software. The people there wanted to be based in Ireland for similar reasons to those that I have just mentioned, although all their market was outside it. Anybody whose ambition is to have a company and to position it in the market in Scotland should realise that it is a pretty small marketplace in itself. Businesses have to look outside.

Gavin Brown: You comment that it is “not difficult” to start a business elsewhere—you used the example of Singapore, but I got the impression that you were saying that it was not too difficult generally. For many smaller businesses in Scotland, however, there is a perception that it is difficult. For some, there is a perception that it is almost impossible. What advice would you give in that regard? Having operated in Aggreko since

2003, I think you said, what advice do you have for smaller Scottish companies that may well have products that are wanted in overseas markets but which have not yet taken a first step? Are there any obvious tips or things that they should be doing or thinking about?

Rupert Soames: One of the obvious tips is that everything takes much longer than people think. We have a business that did \$300 million in North America last year. That has taken us 22 years, since a predecessor of mine went on holiday in Louisiana and decided that it would be a good place to set up a generator business. It has taken us 22 to 23 years to build up a business of \$60 million a year in Australia.

It takes an achingly long time to build solid new businesses—to be more than just an exporter and to have an infrastructure in the country concerned. There is a real split between what we might call web-based businesses and our sort of businesses, which deal with tangible stuff such as microphones or whatever.

Web-based businesses can grow at a rapid rate. Morgan Stanley did some research, published in 2008, tracking how long it took different types of media to get to 50 million users. It was 38 years for radio and 15 years for television, and it was five years before the internet had 50 million users. MySpace got 100 million users in 2008, three years after starting. Facebook got 100 million new users in 2009, four years after starting, and now it is knocking MySpace to hell. In the whole web area, it is possible to go global much quicker.

If you deal with physical and tangible things, you have to go out and persuade somebody to buy them. You have to put a salesman in front of the person, make the product, deliver it, provide support, look after it and so on. All of that takes an achingly long time. My advice to a small company that has the ambition to be an international company is threefold. First, you should take a 20-year view. In taking such a view, you need to decide which markets you want to be big in. It is much better to be big in a few markets than it is to be small in lots. As in the first-past-the-post system, you want to be number one or number two everywhere that you operate. Secondly, you need to prioritise your markets. You need to understand that you cannot knock on doors everywhere. Thirdly, take things one or two at a time. In the early days, Aggreko grew quite slowly. Everybody now looks at us and says, “Isn’t it wonderful? You do 100 countries.” Since I arrived at the company six years ago, we have probably done 20 to 25 of the 100 countries in which we operate; 75 or so countries were done by my predecessors. A lot of the hard work and the hard lifting was done by others.

If you truly take a 20-year view, the bad news is that you will also have to accept that you will have to completely reinvent your product set and your organisation probably five times during that period. You will have to look far ahead to see which markets you want to prioritise—it takes a long time to build them—and to imagine the products that you will be good at. Lots of small companies find that really hard. I do not blame them; it is hard. That said, a lot of them do it. Not everybody will succeed; it is pretty Darwinian out there. A ptarmigan chick does not necessarily survive. I pick the example having just come back from Mallaig where I saw nine little ptarmigan chicks running around. Of the nine, probably two will survive, if the hen bird is lucky. The rest will get eaten by eagles. The same Darwinian principle applies to businesses: not every small business is destined to be a global business, but the ones that achieve that are great businesses.

Gavin Brown: I assume that you have been on some of the trade missions that SDI, the Scottish Council for Development and Industry and the chambers of commerce have run. Should such missions be run on a single-sector basis or are they more effective if they are run as a blend of sectors?

Rupert Soames: I have to admit that I have never been on one, so I cannot talk with any knowledge of them. We have struggled to build our business, but I have not managed to go on a trade mission yet. I am sure that those missions are really helpful to certain types of business, but we tend to make our own trade missions—three or four salesmen descending by parachute into one country or another.

Gavin Brown: Thank you.

The Convener: You have a fairly specialised product. How do you identify potential markets where temporary power is needed?

Rupert Soames: We wait until the lights go out. *[Laughter.]* That is a pretty good indicator. In many ways, our business is not a good example from which to extrapolate. It is an extraordinary business with lots of peculiar advantages. For example, it is pretty obvious when people need us; we just need to keep an eye on the press cuttings. The fact is that lots of people have problems with the lights going out.

We also have a unique offering. We can say to people, “You thought that that power station would take eight years to build and that you would have to spend three years sucking up to the World Bank to get the funding. Actually, you can have it in eight weeks. It’s here. We can provide it.” Many other companies have a tougher time of it. It is tough for everyone, but other companies have tougher times than we do. We are uniquely

differentiated and it is pretty obvious when people need us. Our market research does itself.

Stuart McMillan (West of Scotland) (SNP): You said that you had not had many dealings with SDI and Scottish Enterprise. Given the dealings that you have had with them, could you compare them with other agencies elsewhere?

Rupert Soames: We have had quite big dealings with them—we got a £2.75 million grant, which is a lot of money for us and a lot of money for them. Quite a lot of hard work has been done. We have found them to be very good at what they do. They asked the right questions, they were diligent and they tried to make sure that we were not crooks and that we had a sensible business case. They were very helpful.

Global businesses such as ours have to operate on two levels. We have to have a global strategy—we have to sort of sit and float and be all macro and global—but we also have to be intensely local. We have had a factory in Dumbarton for 20 to 25 years. There were things that we did not know about how the council operated. John McFall and Scottish Enterprise were very helpful. Everybody helped to try to get the new factory there. We did not feel anything other than encouraged and helped. Given the sums of money involved, it was worth while.

I dug around to find out all the help that we had received from Scottish Enterprise and found that we had been bunged £2,500 to go and get a report on something produced. I asked my guys what we were doing, going to the taxpayer to ask for £2,500, and how much work it took. The answer was that it took approximately the same amount of work that it took to apply for £2.75 million. There is a much bigger question there. Having done my homework, I will go back and say to my guys that we have to have a *de minimis*. We do not want to go to the taxpayer to try to get a £2,500 grant to put in water filtration; we can do that perfectly well ourselves and we should not waste Scottish Enterprise’s time or our time filling in large forms for that sort of thing. However, on the big stuff, Scottish Enterprise has been very good. It has been better than agencies in other places that we have seen. I would say that it ranks very highly. It has some very bright people at the top.

Stuart McMillan: Would you say that there are still lessons that SE and SDI could learn from countries elsewhere?

Rupert Soames: I do not think that I am qualified to say that, because we have not built lots of other things elsewhere. I get bombarded with e-mails from the Alberta Chambers of Commerce, for example. I should think that 10 per cent of my inbound e-mail is from people who

want me to locate our head office in Romania or Latvia or wherever. Scottish Enterprise does not try to bombard me with that stuff—thank God—so I do not know how effective its marketing is. What I do know is that when we showed serious interest and engagement, it did a proper and professional job of helping us steer our way through. I can quite imagine it doing a very good job if a foreign company came here. Given the money that the taxpayer spends on Scottish Enterprise, that is pretty fortunate. Given the money that it costs, it needs to do a good job. In our experience, it does a good job.

10:15

Stuart McMillan: You touched on the matter of an anti-English tone in political discourse. We would certainly all like Scotland to be inclusive and cosmopolitan. As an English-born SNP member—one of seven in this place—and someone who has studied abroad with a host of people from a variety of nations and backgrounds, I cannot disagree with those sentiments. I touched on the issue yesterday, in the Equal Opportunities Committee. Scotland is a welcoming country but we still have some lessons to learn. The lack of international schools in Glasgow and Edinburgh, which you mentioned, is a tangible example of that and something that the committee and the Parliament might consider in the future.

Although there have been some instances of racist abuse and expressions of anti-English sentiment by individuals in Scotland, you will agree that those have been down to individuals and not the whole of the population of Scotland. Those are not the sentiments of people in Scotland generally. In other countries and in meeting people of other nationalities, I have tended to find that there are instances of internal strife and racist dialogue elsewhere as well. That was what I saw and heard when I studied abroad and met people from elsewhere.

Rupert Soames: I cannot but agree with everything that you say. You know—and I know, as I work here and see it daily—that we are not talking about a country that is anything other than the most fantastic, welcoming, cosmopolitan place. It is not a problem, but people need to be careful not to make it seem that it might be a problem. I sit across the interview table from people who have no reason to believe that it is a problem but for whom it turns out to be a problem. The lack of international education, in particular, is a solid block, and that is an example of what I am talking about. Scotland has such a good secondary education system that people ask, “Why do we need anything else?” Everybody knows that the Scottish system is much better than the English system, but that misses the point.

It does not matter how good the Scottish system is; some people will want to be able to continue their education globally.

I agree with everything that you say. Please do not get me wrong—it has never been a problem for me. In the 1979 election, I personally knocked on 15,000 doors in Clydebank as my brother's campaign manager in central Dumbarton, and I never had a door slammed in my face despite the fact that I am called Rupert, which was a bit of a challenge. I am not saying that it is a problem in reality; I am saying that it is perceived as a problem.

When people who are in positions of high office talk, they need to be careful about dog-whistle stuff. Members know what that is—messages that people kind of but do not really mean to get out; they do not want to say the words. It gives the impression of exclusiveness. Perhaps there could be a few more things that say that we really want people here, not just for the two weeks of the Edinburgh festival, but because it is a fun and welcoming place to be for 365 days of the year.

The Convener: There is the odd dreich day in February when it is not much fun to be here, but apart from that—

Lewis Macdonald (Aberdeen Central) (Lab): I am interested in what you said about a number of matters. There have been exchanges on your conduct and dealings with Scottish Enterprise. For clarification, were you referring only to Scottish Enterprise? I do not think that you have mentioned Scottish Development International. I get the impression that you have not dealt with it.

Rupert Soames: We deal with Scottish Enterprise most of the time. A bit of globalscot work goes on, but our main interaction is with Scottish Enterprise.

Lewis Macdonald: Is it reasonable to assume that you do not have regular dealings with UK Trade and Investment?

Rupert Soames: We occasionally have dealings with it, but we use it as part of the sales process. There is a UKTI representative in every embassy. Some of those representatives are extremely able, competent and helpful.

Lewis Macdonald: When you talked about using the Foreign and Commonwealth Office to resolve political issues, there is a connection between that—

Rupert Soames: We go through UKTI for that. Actually, we lift up the phone and say, “Ambassador, help.” The ambassador will nearly always try to palm us off by saying, “Go and talk to our commercial guy,” but we will say, “No, we want to talk to you.” That works quite well most of the time. When one gets overseas embassies wound

up to help, they are very effective, but we do not use them systematically. We use them for a couple of things. First, we use them to help us do due diligence on our local partners. Before we appoint somebody to be our agent in a country, we will nearly always ring the embassy and say, "Have you ever heard of this man? Is he a regular attendee at the Queen's birthday party or does he spend a lot of time in the Russian embassy?" Secondly, we use overseas embassies if we have a particular issue with a customer. We deal in 100 countries, and we probably have two or three major rows going on at any one time. We have a simple business model. Electricity goes in one direction and money comes in the other direction. If that flow gets interrupted, it can sometimes cause difficulties.

Lewis Macdonald: So it is simply not in your business model to look to Scottish Development International for such support, as companies in other sectors do.

Rupert Soames: No. Smaller companies could well use those resources, but even with that operation's munificent resources, it cannot match our knowledge of our product. I can see that other organisations use it, but we do not.

Lewis Macdonald: I am interested in what you said about inward recruitment, as inward investment falls within the inquiry's terms of reference, and it is clear that inward recruitment and inward investment are closely related. The committee last met in Aberdeen, where we heard quite a lot about the engagement of the local economy there with global trade and international markets.

The international school in Aberdeen is funded by its pupils and supported by the international companies for which their parents work. I know that, because there were Dutch and French schools in my constituency when international companies employed a significant number of people from those education systems. Should international companies in central Scotland, such as Aggreko, be talking directly to Government or to one another about making such a facility available when they are looking to recruit staff?

Rupert Soames: I do not know how international schools start from nothing. If an international school were started in Edinburgh, I do not know from where it would get its pupils.

When we move people around the world, we pay school fees. We are not prepared to get into the international education business, but if there were a good international school in Glasgow or Edinburgh, it would probably be attended by the children of three or four people whom we employ, and we would pay their school fees. Part of the deal when you move people around is that either

the local education system must be really good, so that people want to send their children to those schools, or you must pay for their children to go private. Recently someone moved from North America to work for us down in the south-east of the UK. We had to agree to put all of their five children through an American school, as otherwise they would not have moved. If you want people to move around, you end up having to pay their children's school fees.

Lewis Macdonald: Your deduction might be that, if Glasgow and Edinburgh want to have the same recruitment options as Aberdeen in a global economy, they should set up an international school.

Rupert Soames: Aberdeen is a special case, as it revolves around the oil industry and is a magnet for companies that are completely used to dealing with such matters. When companies such as Schlumberger turn up there, they bring 200 people and their own school; that is the way in which the oil industry works. I do not know what would happen if an international school, at which people could study for the IB, were set up in Edinburgh or Glasgow. I do not know why that has not been done—there is one international school in Qatar, and there are four in Dubai. Has there been market failure? It seems weird that there is no international school in Glasgow. God knows how to get one going, but we would like there to be one and to be able to say, "Don't worry, you will not have to convert and do highs. You can continue your American education here."

Lewis Macdonald: That is interesting. The Aberdeen experience is that access and transport links, as well as schooling, are critical to inward recruitment of staff. Has that been an issue for your company in Glasgow?

Rupert Soames: It is a pain, but links are getting better. There are now direct flights every day from Glasgow to Dubai. There are also direct flights to the United States. The problem is not insuperable. We simply tell people that that is how life is. With most of our flights, we have to do a hop, skip and jump anyway. Do not underestimate the pulling power of terminal 5, which is a hub of outstanding quality and a great improvement on what was there previously. We tell people, "Go down to terminal 5, and away you go." The lack of transport links is an excuse for not coming to Glasgow; the education issue and concern about whether people will be happy here are a reason for not doing so.

10:30

Lewis Macdonald: Again reflecting on the experience of Aberdeen, is part of your last point about people being concerned before they visit

Glasgow that it is a remote location and very different from where they come from? Is that an issue for you when you are recruiting staff from south of the border? Do people think that Glasgow is off the edge of the map and more different from the south of England than it really is?

Rupert Soames: Yes. Can it compete with Paris, Dubai, Singapore or wherever? Well, it is a hell of a lot better than Sana'a in the Yemen. Excuse me—the Yemen is a big customer of ours.

It should not be a problem. This is a wonderful place to work. It is a great environment, with fantastic culture. I just do not know why, when we say to people, "By the way, the job's in Glasgow," they say, "Oh." When we ask what the problem is, they talk about English and schools and other things like that. We tell them it is not a problem and they should come. It is much more difficult to persuade them to come here than to go to Paris, London, New York or Rio.

That has been my experience. It might only be apocryphal, but I think that Aggreko is a really attractive place to work. Lots of people want to work here and we find that the easiest people to recruit to work in Scotland are Scots.

Lewis Macdonald: Aberdeen has been described as the headhunter's nightmare, because headhunters cannot get staff to go there, and once they have gone there they cannot get them to go anywhere else. Is that Aggreko's experience? Do you find that you have difficulty persuading staff to come here, but once they arrive they discover that it is a much more amenable place than they imagined before they came?

Rupert Soames: I think that the experience is the same as any ex-pat experience. Three months into it, you will think that you have made a terrible mistake. When we move people, we know that, three months in, the children will be getting bullied at school or the wife will be unhappy, so we move in and ensure that everything is all right. It is rather like the terrible twos when you are bringing up children. It is utterly predictable that, three months in, they will be through the honeymoon. At nine months in, they think it is great.

I lived in Paris for two years and the first three months were great, but the next two months were ghastly. Then we were away; we got to know people and where to go. The ex-pat experience here is better than it is in other places because there are fabulous places to go. The Highlands are very close, and there is Edinburgh. There is so much going on here and selling it as a place to be is terribly easy, provided people have got through what we might call their natural scepticism. It is important to stop that scepticism happening in the first place.

Lewis Macdonald: That is very helpful.

Christopher Harvie (Mid Scotland and Fife) (SNP): Those are very interesting comments, and we can take them to heart.

The new Cabinet Secretary for Education and Lifelong Learning, Mike Russell, is persuaded about things like the baccalaureate and greater autonomy in school management. If you see him, and are able to get a word in edgeways, you might find that you get an answer on those issues if you push.

We have just had a visit to Düsseldorf, and we went to Brussels to see people who are engaged with the European Union there. One imagines that somewhere like Brussels would be terribly off-putting. If you spend time with Wallonian Belgians and then Flemish Belgians, you realise that there is a complex local power structure there. If your family was parachuted straight into Brussels, without the arrangements of the EU and its satellites, it might be a difficult place to integrate into. I am sure that the points that you make about Glasgow are ones that your family encountered in the past. The famous description of the Glasgow working man is that of civility he has no trace. On the other hand, the number of people whom he wants to pick fights with is quite incredible—it goes beyond the management to rival unions and so on.

This is an area with a strong mechanical engineering past, although mechanical engineering is not as important today. However, has the experience of North Sea oil, and the need for instant solutions to pressing mechanical and technological problems there, been important for the health of Aggreko and its just-in-time operations?

Rupert Soames: Yes. It is one of the reasons why we did not move our factory to India or China. I spent the first 16 years of my working life in manufacturing businesses and I believe fundamentally that, unless you are making stuff in enormous volumes, you need to have your design next to your manufacturing. When someone puts the handle on the left widget so that when you open the door it catches and skins your knuckle, rather than showing it on YouTube you can say to them, "Well, you skin your bloody knuckle," and they can walk on to the shop floor and see the problem.

Not only does Scotland have a depth of mechanical and electrical engineering expertise that we can plumb into, but that expertise is readily available. As you say, it is available quickly—just in time. You do not scrabble around as you would do in other places to import someone to help you to solve a problem. For the sort of business that we do, which is electromechanical, mechanical and electrical engineering, the skill base makes it an ideal place to be. Long may that remain.

I cannot let your comment about the Glaswegian working man go by without remark. I have my memories of 1979 Dumbarton—in my view, the Glaswegian working man was much to blame for that. However, we have fantastic working relations here. We do not have a union—we do not need one. We ask people to work really hard and they do. We have great subcontractors. We have been able to scale up and scale down our production with fantastic flexibility, and with a mixture of permanent and temporary employees. We treat production like an accordion. We find that it is a very good place. Of all the places we run factories, we are very happy being here.

Christopher Harvie: We have been consulting on the future of the North Sea, and in particular on renewables there. Projects are going ahead in Germany on types of diffused generation to produce base-load power. I do not know whether you have heard of it, but there is a project by Volkswagen and a firm called LichtBlick to put small power stations in people's houses then google up the power from them when power is not coming from wind farms and so on. It means that there is always base-load power, without two thirds of it going up the power station chimney. Would Aggreko's expertise be useful in that area? It is the sort of thing that Scotland could develop, in a pragmatic but long-term way. Instead of having another Longannet, we could google up power from small generators.

Rupert Soames: To stop me interfering in the effective day-to-day management of the business, my colleagues have made me the chief research officer, or the chief geek, for wind power, which I have spent a lot of time researching. There are many policy issues. The UK, particularly Scotland, has a fantastic wind resource. We are favoured in that way, whereas other nations are not, and we should use that resource as much as possible. However, the approach to the management of the consequences of having a high proportion of wind generation in the network is, in my view, being mishandled.

One problem with power generation generally is that, although nearly every developed country now has a marketplace for power, and those marketplaces have proven to be effective in the daily trading of energy, they are proving to be extremely ineffective at the long-term planning for what goes into the mix of electricity generation in the future and how to handle it. A whole lot of people—the generators—tend to have enormous vested interest in certain outcomes. Many of them are vocal and, frankly, they have no particular interest in or incentive to ensure system security. On the other hand, in the UK, we have only one body with an interest in system security, which is National Grid, and then we have a regulator.

The convener might want to shut me up on the issue, but if we consider the regulatory characteristics that got us into serious trouble in banking and finance and see how many of them copy over to the regulatory environment in our energy marketplace, it is scary. Is it all right to talk about that, convener?

The Convener: Carry on, but try to keep it relatively brief.

Rupert Soames: Right.

There are regulators whose principal motivation is consumer protection, not system security. There are the actors in the field, who earn their bonuses through short-term trading rather than long-term planning. They have no particular interest in long-term system security. That is not their gig—their gig is generating power and selling it to make money. The perverse thing is that the shorter we are of power, the more money that the people who have existing power stations will make, because the price will go up.

We are faced with a situation in which a large amount of our generating capacity will come offline because of the large combustion plant directive—the LCPD—and because nuclear power stations are coming offline. We are on a mission to bring to people's attention the urgent need to think about how to handle that and to come up with solutions that will enable Scotland to have large amounts of wind power without completely messing up the rest of the network. We are actively engaged on that, which is why I no longer get invited to dinner parties, either in Buckinghamshire or Glasgow, because I am a well-known wind bore.

Christopher Harvie: We have had confrontations with the Office of Gas and Electricity Markets, so we understand what you are saying on that.

Rupert Soames: Ofgem is an entirely magnificent organisation in every sense, but in January 2010 the head of Ofgem said that, faced by the LCPD and nuclear issues, the current market arrangements perhaps were not ideal and we needed to think about them. The issues are five years away. How long does it take to build a power station? Longer than that, so we do not have time to sit round holding hands singing "Kumbaya" and trying to work out a new market mechanism. That should have been done already. That is a real failure of public policy going back three or four years. The point is that the Government will be forced to take its rightful place. At the end of the day, the people of the country will hold the Government responsible for the security of supply. It ain't good enough for the Government to say that it will just leave the matter to Ofgem and the market. The Government should have a

view on the mix of power generation and what it is prepared to license and see built.

Sorry about that, convener.

The Convener: Thank you very much for an entertaining and informative session, which drifted into another issue in which the committee has an interest—the energy network. Thank you for your helpful evidence.

I suspend the meeting for a few moments to allow the witness to depart.

10:46

Meeting suspended.

10:50

On resuming—

Financial Services Inquiry (Scottish Government Response)

The Convener: Item 3 concerns our report on the way forward for Scotland's banking, building society and financial services sector. Our report will be debated this afternoon, which I am sure will be of interest not just here but throughout the banking and financial sector. We have received several responses to our report and responses from Standard Life and the Royal Bank of Scotland have been provided today; we also have a response from Lloyds Banking Group. I thought that it might be useful for the committee to reflect on the Scottish Government's response before the debate. I open the meeting to comments.

Lewis Macdonald: The Scottish Government's response is disappointing. The covering letter started in such positive and glowing terms that I thought that we would find many areas of agreement, but then I discovered no responses to our recommendations on the Office of Fair Trading and updating the strategy for the sector. The pattern that I detected in the inquiry of the Scottish Government taking a fairly hands-off approach to the sector has been maintained in its response to our report.

There is an advantage and a disadvantage in the debate taking place today. We have the opportunity to go straight from this meeting to ask ministers why on earth they have not responded to the recommendations more clearly and positively. If we do not receive clear answers today—as has happened before—we might want to return to the report and seek answers in writing.

Rob Gibson: In the present flux between the Scottish Government responding to the report and the lack of clarity about how the Conservative-Liberal alliance Government will deal with things in

London, we have a period for discussion about what we might see as best.

I have questions about why we think that the financial services strategy needs to change before we know the direction of new regulation and the new approach. I have no doubt that that will be a major part of this afternoon's debate. The Government in Scotland has the problem of knowing exactly how its influence will be brought to bear and how much it will be allowed to have an influence.

Marilyn Livingstone: I agree with Lewis Macdonald. I will take apart the response on two issues that are of interest. On the skills strategy, what we have had is regurgitated. We asked for something innovative and positive, but we do not have that—we are told how many colleges we have and what we are already doing, which is not what I wanted to hear.

The response on mutuals and credit unions does not even mention the co-operative development agency. That agency, which is part of Scottish Enterprise, should develop such institutions and set the strategy.

The Scottish Government's response has glaring omissions. I hope that we can tease some of that out in this afternoon's debate.

Gavin Brown: The timing of today's debate is good. I have no specific points to raise now because I intend to raise them in the debate. I suggest that we see how the debate goes. The committee might feel that some questions are answered; some might not be answered. After the debate, we might take a view on what we want to do. We should have the debate first.

Ms Wendy Alexander (Paisley North) (Lab): The purpose of the formal response that the Government is compelled to produce within eight weeks, which is part of the parliamentary process, is to answer the questions that the committee asks. The interesting point is that the Government answers the questions but disagrees with the committee. For example, the Government does not believe that the OFT should undertake an inquiry into small business banking in Scotland. It refers to the OFT's letter.

The OFT makes it clear that it has work under way on personal current accounts and work coming up on entry into banking, but that it has absolutely nothing under way on access to finance by small businesses. We started by talking about the Scottish Investment Bank. The deep tragedy is that we got a letter about it after the cabinet secretary had already announced it to the Scottish Trades Union Congress. Of course, officials knew that that was inappropriate and wrong—it was entirely deliberate, cavalier and dishonest—yet we are told that the official who was drawing up the

terms of reference for the Scottish Investment Bank did not know that the committee should have sight of them first. What does the response say? The Government is using more taxpayers' money to find a substitute because it is not prepared to do anything structural to the market in Scotland. By all means, we can have the debate in the chamber; however, we take a different view.

The Government does not commit to any more competition of any kind in business banking beyond the planned divestments—all the new entrants, such as Tesco and Virgin, are involved in the personal account market. It is a huge issue and the committee took a brave stance on it. It is preposterous to say, "Sorry, but I don't see the need for a vision," when we have had the biggest collapse in the global economy for 60 years, precipitated by a banking crisis that compelled a bail-out involving more public money than has ever been invested in any sector and that has profound implications for Scotland because the size of our banking assets vastly exceeds the size of our economy, which is not the case in any other European economy. Meanwhile, the Government is calling for total control of these taxes and the question arises how it would cover any of this. The substantive debate should be about whether the Government wants more competition, what it is prepared to do to encourage that, whether it wants more divestments, how it wants the stakes to be disposed of—and whether or not they should be—and how it thinks that a five-year-old strategy needs to change in the light of experience.

I am worried that the Government says that it does not get involved in reserved issues. In fairness, its response says that if it thinks that something is in Scotland's interests, it will go and lobby London as appropriate. However, the sin is one of omission of all the things in the report that the Government has not gone to lobby on, although it is happy to lobby on the European alternative investment fund managers directive, which is reserved to another area. I am shocked that, on the access to finance issue, the Government is prepared to say that it does not think that there should be any inquiry into business banking in Scotland. I feel that we should make that point strongly. The Government appears to have no position of any kind on divestments, competition, small business banking or any of the aspects of regulatory reform. We do not know what its position is.

The Convener: I, too, was disappointed with the Government's response. There were several areas in which the committee recommended fairly clearly that the Government should take a position; yet, it seems to have decided that it does not want to. Rob Gibson's point is fair enough. There has been a change of UK Government and there is a new commission that will look into

regulatory reform. Nevertheless, I would have thought that the key responsibility of the Scottish Government and the Financial Services Advisory Board would be to have a clear strategy on what Scotland wants to get out of that reform. That is what seems to be lacking. I do not believe that a strategy that was developed for the financial services sector as it was in 2005 can possibly still be appropriate for the market in 2010—that just does not make sense to me. At the very least, the Government should be willing to review it. If such a review revealed that it did not need major changes, that would be fair enough, but the Government is not even willing to review it.

The committee did not recommend a change to the membership of the Financial Services Advisory Board, as it thought that the current one was working effectively. The Government seems to be unwilling to consider that either. I am surprised that it does not seem to have a vision for the sort of banking sector that it thinks Scotland needs to serve Scotland's economy. The response makes no reference to that other than through fairly meaningless statements about competition. If it has no clear vision of what it wants, that is a bit disappointing.

Those are personal comments; they are not made on behalf of the committee. It is up to committee members to express their views in the debate this afternoon; hopefully, others will participate and it will not just be committee members. We can consider after the debate whether we wish to take any follow-up action.

11:00

Ms Alexander: The purpose of committee reports is to reflect the views of the committee. That is not to say that reports bind individual members, but they invite the convener to reflect what the committee considered the big issues were. If we choose to say that we regret the fact that the Government takes a different view from us on the business banking strategy and the banking structure in Scotland, so be it, but the debate is our chance to showcase the issues that we think demand a response.

The Convener: In opening the debate as convener, I must reflect the views of the committee. If I make comments that are personal, I will ensure that it is made clear that such comments do not necessarily reflect the views of the committee. Other committee members are free to comment more openly than I can. When I open the debate, I will at times be walking a tightrope.

Lewis Macdonald: Other members may have a different view, but I would have thought that if you, as convener, were to express your disappointment with the Government's response, you would not be

stepping outwith the remit of the report or the bounds of our discussion on the response this morning.

The Convener: There are no further comments. I hope that everyone enjoys the debate. Before we continue in private, I remind members that in P1.02 at noon we are jointly hosting a seminar with Scotland's Futures Forum on the issue of banking. One of the key speakers is Philip Augar, our former adviser on banking matters. Also speaking will be Ben Thomson and Mark Tennant, so it should be an interesting session. I hope that some of you will be able to come along to that.

At the next meeting, on 9 June, we will continue to take evidence in our international trade inquiry. We will hear from UK Trade and Investment and Scottish Development International.

11:02

Meeting continued in private until 11:19.

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