



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 18 February 2015

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ECONOMY, ENERGY AND TOURISM COMMITTEE

5th Meeting 2015, Session 4

CONVENER

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

DEPUTY CONVENER

*Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)

*Patrick Harvie (Glasgow) (Green)

*Johann Lamont (Glasgow Pollok) (Lab)

*Richard Lyle (Central Scotland) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Lewis Macdonald (North East Scotland) (Lab)

*Joan McAlpine (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Iain McTaggart (Scottish Council for Development and Industry)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 18 February 2015

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Murdo Fraser): Good morning, ladies and gentlemen, and welcome to the fifth meeting in 2015 of the Economy, Energy and Tourism Committee. I welcome all members and the committee's adviser to our export inquiry, Jane Gotts, and I remind everyone to please turn off or at least turn to silent all mobile phones and other electronic devices so that they do not interfere with the sound equipment.

Agenda item 1 is a decision on taking business in private. Are members content to take items 4 and 5 in private?

Members *indicated agreement.*

Internationalising Scottish Business

10:01

The Convener: Item 2 is the start of our inquiry on the internationalisation of Scottish business. I welcome to the meeting Iain McTaggart, the Scottish Council for Development and Industry's general manager and company secretary. Thank you for coming along, Iain. We will have probably an hour for the questions that members want to ask. As we have your written submission, I am not going to ask you to make an opening statement. We will just go straight to questions, if that is all right.

Although we have some time, I must ask members to keep questions short and to the point. It will also help if answers, too, are kept as short and to the point as possible, as it will allow us to get through the range of topics that we want to discuss in the time that we have available.

I will start by asking about some of the points made in the SCDI submission about collaboration between Government agencies, trade bodies and industry associations. In some of the written submissions that we have received, there is a bit of a sense that the landscape is somewhat cluttered, because different public bodies are involved in providing support and it is not clear where support is coming from. For example, the Federation of Small Businesses Scotland says in its submission that in a survey of its members, four out of 10 believed that Government support for exporting was difficult to access. However, we have heard from Government agencies that support is available and that people just need to ask for it.

Similarly, in its submission, ADS, a trade body mainly for the defence industry, states that it feels that there have been missed opportunities, with Scottish Enterprise, Scottish Development International and the trade groups not working together as effectively as they should. Can you give us your take on that? Is the landscape too cluttered? Are people not working together as well as they should be?

Iain McTaggart (Scottish Council for Development and Industry): I think that there is probably a lot of good work going on in Government and other organisations, but it is just not joined up enough. The prize to be won is so great if we could collaborate more effectively. We face great challenges in improving our export performance and diversifying the range of industries and the number of companies involved in international trade. I do not think that the Government agencies alone can do that, but they

certainly have—and are playing—a key role in this.

That said, this talk about collaboration, which goes back a number of years now, has not been effected into something tangible that can be called genuine collaboration. I do not know whether that is because people are constrained by time or are very busy delivering what they have been charged with delivering and have not found the time and space to sit down with all the key players. Having read a number of the submissions to the committee, I can see that there is expertise in all of the organisations that have submitted their views. If we could find ways of joining that up effectively, it would help businesses, which is the most important point.

Your observation that many companies do not know where to go is true; many companies talk only to the networks that they are aware of or are already part of and if they get signposted to different agencies too often they begin to lose heart. We could be much more effective at the early stage of intervention in supporting and signposting businesses across Scotland to the correct sources of expertise, which will include professional services such as legal and accountancy firms, logistics companies, banks, credit assurance agencies and so on. I get the sense that they are all very willing to be part of the debate and the solution, but there is a need to integrate all of that more effectively.

The Convener: What needs to be done to sort this out and where does the leadership need to come from?

Iain McTaggart: First, we need to listen to what industry is saying. Scotland benefits from many successful and established businesses that have done it all themselves; although they are now beyond the need for Government help, they are willing to contribute something back to the debate. We should listen to them and to the small businesses that are in the early stages of finding their way through international trade aspirations and try to find out the issues that concern them.

It all comes down to leadership. Our organisation, and others, need to engage with the Government and vice versa to raise the debate further and to discuss how we can create greater capacity to support Scottish businesses in this arena. We need to have that dialogue and ensure that concrete solutions come out of it.

Dennis Robertson (Aberdeenshire West) (SNP): Following on from that, I have heard the landscape described in evidence as cluttered with a plethora of agencies, and it has been suggested that a single portal would help signposting to be more directed. Who would set up such a central

portal or hub, and who would manage it? Indeed, who would pay for it?

Iain McTaggart: A single portal sounds like a promising solution, but it is not necessarily easy to deliver, as reaching agreement among all players as to where the areas of expertise lie and where the signposting should be could be quite complex. It would be worth spending time discussing that. As far as managing the process is concerned, there would need to be clarity about responsibilities before anyone would volunteer to take it on board.

Given that Government resources are larger than the resources of other organisations, Government agencies have a key role to play in co-ordinating such an arrangement. However, at this stage, before there has even been a discussion about what a portal would contain, I would not want to give you a definitive answer.

Dennis Robertson: There must have been some discussion already, because the suggestion has been made. Given the comments in the Wilson review that many companies do not know where to turn in the first place, would a single portal not be a solution to that situation?

Iain McTaggart: I know that it is a key proposal in the Wilson review, but to my knowledge there has been no detailed discussion about it since. That still needs to happen and would be worth while. It is an idea in which many players have an interest and think could lead to significant progress in helping businesses.

Dennis Robertson: Would creating a single portal give the small to medium-sized enterprise sector a more level playing field in terms of accessing information and direction? The evidence suggests that, to some extent, SMEs do not have the same access to information and do not know where to go. Would going down that route afford SMEs a more level playing field?

Iain McTaggart: It would certainly open up the availability of information to SMEs. Their problem is that they have limited time to search for information, and as a result, they probably rely on their relationships with others to guide them through the process. However, it is right that information should be as open, as available and as accessible as possible to all companies of all sizes across all sectors throughout Scotland to ensure that there is a level playing field. Smaller companies will still need an adviser to take them through the process, and those kinds of arrangements, such as those with business gateway and other local organisations, are already in place.

We could have a multitiered approach, which would give companies the opportunity to navigate the process themselves, but we should not rely on

companies having to do all the digging. Expertise to help them with the process should still be made available.

Dennis Robertson: Who should pay for that?

Iain McTaggart: Who should pay for it?

Dennis Robertson: Yes. You have said that discussions about the single portal must take place, but who should pay for and manage it?

Iain McTaggart: The Government should pay for it, by and large, but there could also be a Government-industry partnership. I want to see more genuine industry-led activity.

Dennis Robertson: Do you envisage—after discussion, of course—submitting such a recommendation to Government?

Iain McTaggart: The Wilson review suggested that SCDI take on the portal's management. We have not had extensive discussions about that, but we would be very willing to find out what would be involved and whether we had the skills and capability to deliver that effectively. If other organisations wanted to play their part, which I think would be important, we would need to have joint discussions and then come together with a proposal, after which we would probably go to Government for at least kick-start funding.

Chic Brodie (South Scotland) (SNP): I will be very quick. This is almost like a rerun of a session that we had with Creative Scotland and Scottish Enterprise. It is all very well talking about money and funding, but who owns the leadership of the export drive?

Iain McTaggart: We probably need to rebalance that somewhat, with the industry taking more of a lead and making it clear what it needs to help maximise its potential in international markets. However, there is no getting around the fact that Government is a key player in terms of intervention and helping to make things happen.

Chic Brodie: I should have said good morning to you, Iain. I hear what you are saying but, at the end of the day—and to use an expression that I have used before—where does the buck stop? I have a view on how we achieve the export drive and how we engage, and I hope that we will return to that later, but the fact is that we are exposed in having only 50 large companies as our main exporters. We need to drive a lot more people up the chain.

Iain McTaggart: The strategy and its delivery are in the hands of and are managed and resourced by Government. I agree that industry needs to play its part, that, at times, it must rise to the challenge and that companies of all sizes must play their part in making progress. However, Government and industry must collaborate.

Ideally, there should be joint ownership; a strategy should be something tangible that all the players sign up to, adopt and see as realistic. That is not the case at the moment.

Chic Brodie: The point is that we have partnerships and collaboration but, at the end of the day, who says, "Right, that's the strategy and that's what's going to happen" and makes the decisions that drive the thing forward? We just do not have that, do we?

Iain McTaggart: No, we do not. The resources are largely in the hands of Government. Industry should be able to fund some of the activity as well, but it needs to see the big plan and to understand its role in it and how everyone will work to mutual benefit. Although such an approach is working very well in certain areas, it is not happening to everyone's benefit.

Richard Lyle (Central Scotland) (SNP): Good morning. I note that you have driven most of the trade missions, organising 370 market visits involving 6,000 companies. However, you did not tender for the trade work in 2012, because of contract issues. Why was that?

10:15

Iain McTaggart: We have never wanted to air the issues publicly before, but now that the tender is in the public domain, it is quite easy for me to tell you that there were some issues that we had reservations about at the time. Those issues, which had appeared for the first time, were all to do with restrictions on our potential to add value, as we saw it, to the activities. For example, we would have been able to communicate with companies only through a dedicated Scottish Enterprise email address, and we would have had to signpost all companies to SDI for business advice in the lead-up to a visit whereas we felt that we had knowledge, insights and experience to bring to the table. Moreover, all publicity and the generation of profile and press releases were to be in SDI's hands, as was the inviting of ministers, which is something that we have frequently done. In fact, the previous year, one of our trade missions had been led by the First Minister and another by the Secretary of State for Scotland.

We felt that that was all to the good and would galvanise support for Scottish businesses overseas, but whoever won the tender was going to be restricted in all those areas. The decision was not easy for SCDI, especially given our history and the fact that we had operated such projects for more than 50 years. That was what we were best known for and our members wanted to see that continue to happen, but we had to decide what was in the best interests of the organisation

and the added value that we wanted to bring to the party.

Richard Lyle: I am sorry, but I cannot resist asking this question. Do you think that the standard has gone down since your organisation has been out of this activity?

Iain McTaggart: To be honest, I do not know what has happened. I do not know whether what we did before has been replaced with other Government-led projects. It is quite difficult to find out on any portal what is happening. If I were a business in Scotland and wanted to see a trade mission programme for the next 18 months, I would find it very difficult to access that information.

Our decision to leave things at that time was a pity for the businesses across Scotland that we dealt with on such projects. We have worked with other organisations since, but only on an ad hoc basis, which is not sustainable. We were putting our own resources and management time into those projects, and we could not justify continuing to fund that kind of activity ourselves. From our viewpoint, therefore, it has definitely been a loss, and we feel that we have been squeezed out of that activity.

The Convener: Richard Lyle rather stole the ball from Lewis Macdonald, who was planning to ask about that issue. We will pass the ball back to Lewis.

Lewis Macdonald (North East Scotland) (Lab): No, convener. I think Mr Lyle has set me up for a good kick at it.

This brings us to the nub of the issues. It sounds to me quite serious if for 50 years SCDI had been delivering effective leadership of trade missions on behalf of Scottish business and industry and the Government then unilaterally changed the terms of reference in a way that stopped that. Has the Government explained why it changed the terms of reference in a way that made it difficult for SCDI to proceed?

Iain McTaggart: Not really. At the time, we set out to Scottish Enterprise our reservations and underlying reasons for our decision not to bid for the contract. I was not particularly closely involved in that at the time, but I do not think that we got any reasons for the change of emphasis in the terms of the contract. What is evident is that no other organisation found the contract appealing enough to take it up, either.

There was no question about the value that SCDI had brought to projects beforehand. Moreover, the funding of £50,000 a year was relatively modest for mounting a series of four or five projects, and included the funding available for companies participating in them. The return on

that investment was the business that was achieved and the business that the companies told us they had created, the value of which ran into millions of pounds—about £20 million—over the lifetime of the contract.

Lewis Macdonald: So the contract was not subsequently let.

Iain McTaggart: Not to my knowledge.

Lewis Macdonald: And as a result the valuable job that you had done over the period ceased to be done, other than by SDI.

Iain McTaggart: As far as I can see. I cannot see that the same volume of activity has been undertaken over the past three years. Obviously, trade missions are still undertaken by, for example, Aberdeen Chamber of Commerce, which has oil and gas expertise. As far as I can see, SDI is the key player in trade mission delivery. I am not aware that our activity has been replaced.

Lewis Macdonald: So, in a sense, we have stepped backwards. The Government-industry partnership was a step away from the model of partnership that the likes of the Wilson review recommended we ought to follow.

Iain McTaggart: It certainly felt like that from our point of view.

Lewis Macdonald: I think that the next paragraph of SCDI's submission relates directly to the same issue. It states:

"it is not possible to develop a forward programme offering market visit opportunities to aspiring exporters across Scotland in the absence of core central funding."

Is that another reference to the £50,000 or a reference to something else that has either disappeared or has not been carried forward in the recent past?

Iain McTaggart: It probably relates to the same issue, as it is about guaranteed funding and resources to enable planning to take place over the two-to-three-year horizon that is ideal for companies. We found that many companies looked at markets that they wanted to visit, could see projects that were coming in the next 12 or 24 months and, to be honest, would build their activity around them.

Lewis Macdonald: I note that you refer to specific projects that you have undertaken with local authorities, but is there in your comments an implicit belief that to promote Scottish exports we need core central funding from the Scottish Government?

Iain McTaggart: Absolutely.

Lewis Macdonald: And that is a gap in the market.

Iain McTaggart: Yes.

The Convener: I will pick up on one point about the history of SCDI. You mentioned that trade missions were run that were led by Scottish Government ministers and United Kingdom Government ministers from the Scotland Office. Has that continued since SCDI ceased its involvement in trade missions?

Iain McTaggart: I think that Scottish ministers have led SDI-organised trade missions. I am not aware of the Scotland Office having been involved in recent years. I may be wrong but, to my knowledge, I am not aware of its involvement.

Our point of view was that we were trying to get the best of all worlds by inviting ministers who were supporting the Scottish effort, particularly as we also relied on UK Trade & Investment resources and its global network. That was a constructive way of generating profile and using key figures to open doors on behalf of the delegations. There is no doubt that that works; ministerial-led missions open doors.

The Convener: Has SDI frozen out UK Government ministers? Is that just a conspiracy theory?

Iain McTaggart: I do not know the answer to that question. I imagine that SDI would naturally work closely with Scottish Government ministers, but it also works with UKTI, so I would think that it would still be in the interests of Scotland to have the opportunity to invite ministers from both Governments when that is appropriate.

Gordon MacDonald (Edinburgh Pentlands) (SNP): If I picked you up correctly, you said something about companies not being aware of what trade missions were taking place and so on and where to go to get support. Excuse me, convener, but I have just Googled “SDI Scottish exporters” and “support Scottish exporting”. Both searches took me to the same page, which contains sections entitled “Join a trade mission”, “Overview”, “Are you eligible?” and “What’s involved?” The page gives a phone number and an email address.

When we were away on the trade mission last week, it was clear that SDI and UKTI were working closely together. The guest of honour at the opening of the trade mission was Lord King. I am not sure where you are getting your information from but, from our experience, I would not say that it was correct.

Iain McTaggart: I am happy to be corrected, because yesterday I tried to find the forward programme of trade missions but could not.

I am not here to denigrate the good work that SDI is doing. If you talk to companies that are supported by SDI, you will find that most are

positive about the support that they are getting. What I am saying is that even it has limited resources and cannot do everything to satisfy all companies across Scotland. That is where we come in. We can complement the work that is already on-going.

I take your point, though. We know that SDI works closely with UKTI, and we welcome that, because we want all the resources that are available from Government in Scotland and in the United Kingdom to be available to Scottish companies.

The Convener: I will bring in Lewis Macdonald briefly.

Lewis Macdonald: This is an important point. UKTI has 10 times the staff, six times the number of offices around the world and access to export markets in which SDI is not directly represented. Gordon MacDonald is right to mention Tom King, but he was accompanying UKTI on its part of that mission. Scottish exporters want support from UK Government ministers, but do you perceive that, because it is only SDI that is working, and there is not an industry input, that is more difficult to obtain?

Iain McTaggart: We have to ensure that we demonstrate that we want that support. Last week, SDI hosted a meeting with Lord Livingston, the Minister of State for Trade and Investment, who is in charge of UKTI. There are definitely issues UKTI can help with. For example, in its submission, the Scotch whisky industry talks about trade policy being the main focus of the help it needs. That tends to be dealt with at a UK Government or even European Union level. It is a question of ensuring that we can use all the levers that are available to us to help us with trade promotion activity or policy issues in relation to free trade agreements or tariff barriers and so on. Those are the kinds of issues that UK ministers can help with.

Joan McAlpine (South Scotland) (SNP): In your submission, you talk about the success of the client-account based approach of Scottish Enterprise but you also talk about the companies that are missing out on potential support because they are not part of that approach, which is particularly the case with SMEs.

During our budget scrutiny, it emerged that the number of growth export companies in Dumfries and Galloway—which is part of the area that I represent—was 1.8 per cent of the total in Scotland. Is the enterprise network supporting export growth companies outwith the central belt as much as it could?

Iain McTaggart: From the submissions that I have read, I would say that that is an issue that many organisations have raised. The companies

that are not account managed do not necessarily feel that they have the support that they need.

I have no evidence that the enterprise network has created the situation you are describing in Dumfries and Galloway, but I am sure that access to the enterprise network officials might vary across the country. That is why we are keen to take a Scotland-wide approach and see who can fill the gaps that exist.

Not all companies can be account managed, but we need to recognise that there is export potential in other companies that are excluded from that network, and we need to think about ways in which we, collectively, can help them to make progress on their own objectives.

Joan McAlpine: Obviously, within the enterprise network for Highlands and Islands Enterprise, the threshold for support is lower in terms of company turnover. In rural parts of Scottish Enterprise's enterprise network, such as those in the south of Scotland, the threshold is the same as it would be for companies in the central belt. With regard to SMEs getting support to export, have you noticed a difference between the situation in rural parts of the Scottish Enterprise network and that in the HIE network?

Iain McTaggart: There will often be differences between the situation in the Highlands and Islands and that in various other rural parts of Scotland, just because the Highlands and Islands has its own dedicated enterprise network with its own arrangements. If we can find evidence that companies in other rural areas are excluded from the kind of support services that they need, we should be able to make a case for addressing some of those issues and reviewing some of the thresholds that are applied.

10:30

Joan McAlpine: Your submission also states:

"Building greater confidence to export can come from creating local networking opportunities for businesses"

so that they can share their experiences of exporting, both good and bad. Are there areas of the country where those networks could do with being strengthened?

Iain McTaggart: There are probably quite a lot of such areas, but rural areas would come to the fore again because networks tend to be dominated by cities and city regions. We are probably looking for some consistency of approach across the whole of Scotland in local networks to which budding exporters can come along and learn from those who have already successfully met some of the challenges. It is clear in our minds that getting businesses together to share experience is of

tremendous value and is probably underestimated. They can do a lot to help each other.

For example, our trade missions, which were always multisectoral, were a fantastic vehicle not just for achieving business but for building up the confidence of first-time exporters by allowing them to spend time in the company of their peers—others who had done it before them who were not necessarily competitors and were sometimes from different sectors. That built up confidence and a sense of shared camaraderie so that, on returning to Scotland, those companies would keep in touch with each other and refer each other to additional sources of assistance and expertise and to contacts.

I think that we need a Scotland-wide plan for the local delivery of export clubs, export networks or whatever you would like to call them that gives companies in rural areas as much support and access as companies in the cities and other regions get.

Joan McAlpine: Does your organisation do much work in rural areas?

Iain McTaggart: Part of our three-year strategy is the development of our regional footprint. We are looking at Ayrshire and Dumfries and Galloway right now, and we have been to Dumfries and Galloway to meet colleges, major companies and so on. We are doing as much as we can within our limited resources because that is part of our philosophy at the moment.

Joan McAlpine: When we took evidence from businesses in Perthshire, I was struck by the number of them that said that a lot of their marketing was done through the internet—they did not use advertising—and that having an effective website is a great way to make contact with overseas clients. Is that your experience? What more should we do to get more companies to understand the importance of the internet for exporting?

Iain McTaggart: The digital issues are very important. We must ensure that all of Scotland has access to high-speed broadband—that is the basic tenet—as well as devoting some resources to helping companies to understand the potential of the internet and how to approach it properly. For example, SCDI has been working with UKTI on web optimisation masterclasses whereby an expert addresses a small group of companies and goes through the process of how they can adapt their website to maximise its potential to be an effective global marketing tool and to deal with global business. It is an issue that we need to take more account of.

Chic Brodie: You mentioned the strategy that you are working on, and Joan McAlpine mentioned the plan focusing on rural areas. In your book, is

there a Scottish Government export plan? Are you aware of the Government's export strategy either directly or through SDI?

Iain McTaggart: I would say that we are aware. At the moment, the European and External Relations Committee is conducting a parallel inquiry on connecting Scotland, which is asking questions about Government strategies for international connectivity and specific market plans.

I know about some of these plans, because there has been dialogue about them. Organisations such as SCDI get involved in discussions when they are created or refreshed, but our point is that nobody else in the outside world—particularly businesses, which have to deliver the details of these plans—knows about them.

Chic Brodie: Where is this plan?

Iain McTaggart: Scottish Enterprise holds the plan—and by that I mean its own strategy and the specific plan for Scotland's export targets.

Gordon MacDonald: I am keen to understand whether the right level of support is in place to encourage companies to export. In its submission, the Institute of Chartered Accountants in England and Wales says:

"It is also clear many Scottish businesses lack the ambition, resources and, in some cases, courage to take the substantial risks involved in seeking to open up worldwide markets."

Given that up to 2012 you had some responsibility for encouraging companies to go on trade missions and given that you have had 50 years to try to address this particular problem, why is the majority of exporting still being done by only 50 large companies?

Iain McTaggart: There is at times a lack of ambition in businesses across Scotland, and not just in relation to exports, but I have to say that I am not sure whether courage is lacking. There are ways of mitigating some of the concerns that many fledgling exporters will have, but from the perspective of a person who runs a small business and who is responsible for all aspects, it looks like a lot of time and resource for no guaranteed payback.

We can therefore understand why there might be reservations. That is why we need to get professional advice and expertise into companies and to get businesses talking to banks, credit insurers, legal firms and logistics companies; it will help them understand how they can deal with some of these issues and, we hope, spur them on and give them a framework of support in order to build confidence.

I do not think that SCDI should take the whole blame for 50 years of a lack of ambition—

Gordon MacDonald: I am not suggesting that you should. [*Laughter.*]

Iain McTaggart: However, our economy has been through a massive change in the past few decades. One question that has been asked in the inquiry is about the drop in manufactured exports, and we have pointed out the change in the electronics sector, which at one time was absolutely dominant with regard to the value of Scotland's exports. All of that activity was well known in Scotland—with the references to silicon glen and so on—but in the end that investment turned out to be fairly rapidly mobile when global circumstances changed.

Scotland has had to deal with a lot and to adapt to different circumstances, but we still have a lot of companies with huge potential. A lot of our traditional manufacturing and engineering companies have adapted to global change and have huge knowledge and expertise that they have been able to sell commercially to overseas markets. As much as making things, they are selling their know-how in project management.

I would not lose all hope, because there is huge potential—indeed, a lot of untapped potential—in Scottish businesses that we need to release. We have to build their confidence, make them think about being players in international markets, and de-risk and take some of the mythology out of that activity. I know that SDI is doing a lot about that, and the fact that it talks about that a lot is good, because at the very start of the process we need to tell companies in local networks, "There are risks involved in exporting, but here are some people who can help you and this is how you can start planning and taking forward this adventure."

Gordon MacDonald: You have rightly said that there is huge potential and that we have to de-risk the activity and build confidence. Is SDI's smart exporter programme up to scratch in its support for companies?

Iain McTaggart: I am not sure that I am able to comment on the smart exporter programme. I know what it is about and what it aims to deliver, but I have not seen any evidence of its impact. That would be useful: it is an example of an initiative where it would be useful to have some public discussion about the value so that we can learn any lessons—the good things and anything that has been ineffective—to take forward into new initiatives.

One challenge is that we do not have enough public debate about why we are not good enough at exporting and why our performance is lower than it should be. The global connections survey should be debated much more widely in Scotland

across academia and the media and within government. To me, a lot of information is buried and not actively used in thinking about the way forward for all of us.

I am not sure what the results of the smart exporter programme have been, so I would not want to comment on that.

Gordon MacDonald: Okay. How effective is the globalscot network? Has it been of benefit to companies? You mentioned that, with trade missions, it is important that companies learn from their peers. Is the globalscot network another effective tool?

Iain McTaggart: The value of global Scots as individuals is fantastic. It is probably unparalleled. We are always keen in market, if we can, to engage global Scots to come along and interact with companies because they have a huge amount of practical information and knowledge about the market that they can share with others. That is hugely beneficial.

We have heard from some global Scots that they feel underutilised, and some companies in Scotland do not know whether they are able to access them or not. We could benefit from work to clarify the access arrangements, give more publicity to the network and what it can help to achieve, and make it easier for global Scots to play a real part. They have a real willingness to do something that aids Scotland's international effort, and we want to capitalise on that as much as possible.

Johann Lamont (Glasgow Pollok) (Lab): You said that we need a Scottish approach but that we need to have local networking and to recognise the diversity within Scotland. Highlands and Islands Enterprise manages to do that, but it seems that Scottish Enterprise does not. Is there something that Scottish Enterprise should be doing differently? Given the scale of the area that it is responsible for, it would be rather foolish to have a one-size-fits-all approach.

I am interested in who should drive local networks. Should it be done at a city level? We know that Glasgow, Edinburgh and Aberdeen have their own initiatives. How can they be supported to get local companies together, including smaller companies? In the Highlands and Islands, people are developing businesses precisely because of the internet, and there is an opportunity to stabilise populations in some fragile island communities because of that. How do we get people to work together? It feels as if it is almost too small for Scottish Enterprise, but you say that it needs to be done at a Scottish level.

Iain McTaggart: This is where it really needs to feed into a collaboration agenda if we want some consistency of approach across Scotland while still

allowing flexibility. We need discussion between Scottish Enterprise and others, whether that is the cities, SCDI, the chambers of commerce or the Federation of Small Businesses, about how we resource that activity, first of all, and then how we can arrange things to the best effect so that we can recognise local situations and circumstances but still give those companies access to the best advice and the best experience. That involves bringing in experienced players to meet them to discuss the challenges that they have faced, and what succeeded and what did not.

I firmly believe, from my experience, that businesses want more than anything else to hear from other businesses that have gone before them—perhaps businesses in the same sector, but not necessarily, because there is read-across between sectors. That is perhaps not something that Scottish Enterprise has the capacity to deliver or that is uppermost in its priorities, but we need to consider how we can ensure that we are working together and how others can get involved in that across Scotland.

Johann Lamont: Is it something to do with the role that Scottish Enterprise sets for itself? We talked about a perceived lack of ambition—perhaps that is rather unfair if people do not have confidence—but does Scottish Enterprise look to see what is successful and then support that, rather than support companies to take risks, which is quite different? Is that part of the issue? Is there a lot of potential energy out there that Government agencies do not see as their responsibility?

10:45

Iain McTaggart: To be fair to Scottish Enterprise, it talks a lot about leadership and ambition being absolutely key to maximising our exporting success, and it is working with very aspiring and ambitious companies. The issue is probably one of capacity. Scottish Enterprise works with the companies that it thinks will work most effectively. It cannot do all or more of that, but other organisations can complement its activity by becoming key players in other areas.

We can probably all agree on certain premises, and on the issues of dealing with confidence and injecting ambition. Some of us can play an active role where Scottish Enterprise does not have the capacity or where dealing with smaller companies, outside of account managed companies in its cohort of clients, is not a priority in its agenda.

Johann Lamont: Is there a role for you, or for organisations like yours, in giving businesses opportunities to be heard and to support each other not just when they are thinking about exporting but almost at a stage before that? At a very early stage, how many of our young people

think that they want to go into business at all, and, if they do, would they think about doing scary stuff like that? Is there a role for you, other organisations or Government to go into colleges, schools or wherever to support the development of the enterprise agenda?

Iain McTaggart: These are huge issues. There are huge challenges and opportunities regarding helping young people to generate more of a global mindset and to understand their position in Scotland in a global world. Some of them might want immediately to get more involved in international business, for example, so we need to give them the tools so that they can start learning from an early stage.

We need to work with SMEs and international students in Scotland, who are an untapped resource. If we have Chinese or Brazilian students in Scotland and an SME is looking to approach China or Brazil, it would be ideal to marry the SME with the international student on a project basis, which would give them a bit of professional experience. The student would bring to the table all their cultural assets and knowledge of the country, which would accelerate communication and open doors for the company.

There are many challenges. We would love to get involved in as many of them as possible, but dealing with young people and building confidence is a key one.

Johann Lamont: Is that mapped anywhere? I am conscious that my local further education college does a lot of international business. Is there a means by which we know where that is happening, so that we can let businesses know that those folk are there and give them the opportunity to come together?

Iain McTaggart: I imagine that Colleges Scotland maps that activity—a number of colleges across Scotland are very active internationally, running contracts overseas for training personnel in oil and gas or other subjects. Some of them have real expertise to offer.

The dilemma is that a huge amount of work is going on in the Scottish economy, but it is not joined up enough for people to know that it exists and to share that good practice more widely. We would all want to strive towards highlighting best practice, rather than reinventing the wheel, and enabling the cross-fertilisation of learning and ideas more easily.

Johann Lamont: I have one last question about things being joined up. We talk about Government responsibility, but there is the Scottish Government and the Scotland Office. When it comes to supporting exports and supporting business, what connections are there between the Scottish Government and the Scotland Office?

Iain McTaggart: Between them?

Johann Lamont: Yes. Do you have a sense that they are working in a joint strategy?

Iain McTaggart: Prior to the referendum, there was not a lot of evidence of that connectivity and I could not honestly say whether that has changed since then. At the highest level, there is a recognition that there is a lot to gain from the Scottish Government and UK Government agencies collaborating effectively.

Johann Lamont: My point is that the Scotland Office is a Scottish organisation although it is also part of the UK Government, so it has both resource and an understanding of business, as does the Scottish Government. Therefore, it would seem odd if they were in competition with each other. Do you know of any structures that bring them together? Is there a formal way in which they work together?

Iain McTaggart: I am not aware of any structure, although I know that there was a large-scale export event in Edinburgh a few months ago that SDI, Scottish Enterprise and UKTI collaborated on closely. It involved 400 companies coming to learn about exporting. That is the kind of thing that should happen.

The Scotland Office is very active in international business—in promoting services and so on—but I am not aware of a formal structure. That is not to say that such a structure does not exist and that dialogue does not go on; I am just not aware of it.

Patrick Harvie (Glasgow) (Green): A few minutes ago, you talked about the way in which the Scottish economy and the global context have changed over recent decades. I want to cast that forward a bit and look at the change that we need to be ready for—the change to come that we need to engage with.

Quite a lot of SCDI's documents are peppered with one of the most loosely used buzzwords in the world, "sustainability", and the Scottish Government's favourite oxymoron, "sustainable economic growth". I was drawn to a paragraph in "Future Scotland: Discussions and Priorities", which was published in May 2013, that talks about the next couple of decades and

"the prospect of a 'perfect storm' as emerging economies grow and the burden on the planet's resources peaks. Pressure on the global commons,"—

which is an interesting choice of language—

"from emissions to water scarcity, will increase, as will the potential for financial crises and cyber-crime."

Elsewhere, the document talks about the challenges as well as the opportunities in areas such as the big data agenda, the internet of things

and so on—the challenges that come with a hyperconnected world.

What definition of the word “sustainability” does your organisation use and how is it applied? What areas of economic activity do you see as having potential for increased quantity but having the wrong quality for the future?

Iain McTaggart: We are looking to the sustainability agenda that has been set and agreed by the Government here in Scotland on carbon reduction, on the effective deployment of resources and on the circular economy and innovative ways of minimising impact on the planet while still producing the products that we want to consume in a sustainable way. I am not sure that I can give you an SCDI definition of “sustainability”. You might think that it is a loose term—

Patrick Harvie: It is often loosely used.

Iain McTaggart: We accommodate such a diversity of interests within our membership that there probably is not agreement or common ground among our members about what the term “sustainability” means. However, there is a general acknowledgement that carbon reduction and looking at how we use resources and continue to re-engage resources are high on the agenda.

Patrick Harvie: Bearing in mind the tone of the paragraph from your document that I just read out, can you cite any examples of SCDI taking the view that a particular form of economic activity is increasing pressure on those “global commons” unacceptably and is, therefore, not something that you would support? Or have you identified any economic activities that provide opportunities to contribute to the “global commons”? Do you have an interest in seeing not just more economic activity but the right kind of economic activity?

Iain McTaggart: Are you relating that to our exporting activity?

Patrick Harvie: Yes.

Iain McTaggart: Scotland has some expertise in areas such as waste management and waste water management. We have the kind of know-how intelligence that allows us to engage commercially with markets around the world to help them find solutions to some of their increasing problems as fast-growing economies. Pollution in rapidly industrialising countries is a key challenge, not only for the country but globally. However, there are companies that are developing expertise, services and products that help to minimise that kind of adverse reaction. Those are the kind of business opportunities that we are supporting and should be supporting. A green agenda is woven into a lot of Scotland’s export strategy, but it is a question of what companies we

can identify as able to do something in that regard beyond their domestic market.

Patrick Harvie: And on the separate question of how much destructive activity that sits alongside?

Iain McTaggart: A fair amount of destructive activity is probably still going on. The green agenda is changing the balance of the economy here as well—is it not?—in the kind of businesses that we have and what they do. However, there is now greater visibility for global challenges such as climate security, food security and, in particular, water security. Companies are responding to that in the market, and their people are saying, “There is an opportunity for me in terms of my scientific background to develop a proposition that would help that challenge in overseas markets.”

It is a question of the balance changing over time, but perhaps it is not changing fast enough to satisfy you. However, we are aware of it and the Scottish Government and its agencies are definitely aware of it.

Patrick Harvie: My final question is on a slightly different topic. In response to an earlier question, you mentioned the globalscot network and talked about its members’ commitment to Scotland. Unless this has changed rather quietly without anybody noticing, Donald Trump is, I think, still a member of the network. Mr Trump has attacked and damaged the local environment in Scotland, he continues to attack both in the media and in the courts Scotland’s energy policy, and he has attacked and bullied individuals and communities in Scotland. Is it not a bit of a joke if we keep someone like that as part of the globalscot network?

The Convener: Mr McTaggart, you should not feel obliged to answer that question. You are free to answer it if you wish, but you may not wish to.

Iain McTaggart: Thankfully, I was not responsible for Mr Trump’s appointment, but I hear what Mr Harvie says. I do not think that I should comment further on that.

The Convener: Thank you.

A couple more members want to come back in, and the first is Lewis Macdonald.

Lewis Macdonald: Thank you, convener. I have a couple of quick points. First, on the balance of exporting, oil and gas engineering, Scotch whisky, food, and universities and colleges all do very well internationally, but their success highlights, in a way, the failure of other sectors. Is there something further that either the Government or organisations such as SCDI can do to encourage other sectors to engage effectively in exports? In other words, is there a sectoral issue or is it just about individual companies?

Iain McTaggart: That is a very good question. I do not know that there are obvious sectors to talk about in that regard. For example, the Scottish textiles sector has traditionally been a very successful exporter and it still is, but it has had challenges because of global competition and issues. However, the sector has a strategy to help companies in their continuing export endeavours.

I imagine that there are no obvious sectors that have huge potential that is not being addressed. When there are priority sectors for the Government, there are other sectors that do not get as much attention; that is when others, such as SCDI, can see whether they can give those sectors adequate support to fulfil their potential. However, it is probably more a question of individual companies as well.

Lewis Macdonald: That is very helpful.

Finally, you mentioned the importance of digital connectivity, which is vital to any export company. As some of us discovered last week, direct air connections to potential markets are also vital to export companies; for example, the Edinburgh to Doha and Glasgow to Dubai routes are vital to Scottish businesses doing work in the middle east. However, there is no connection from Aberdeen to the middle east, which strikes me as a glaring omission.

Your submission says that an air route development fund—much like the one that was abolished eight years ago—would be a good thing for promoting Scottish exports. Can you say a little more about the potential for that?

11:00

Iain McTaggart: The fund was regarded as a great success in the past. We appreciate that it came up against EU rules; we have to find ways of addressing that, but there are other examples in the European Union in which such support is still given. There is no doubt that the air route development fund was instrumental in encouraging some airlines to come in to Scottish destinations.

As I understand it, the first couple of years are critical in terms of the marketing operation and for the airlines to justify that there is enough of a market for direct flights from Scotland. The fund was critical for some airlines in making the decision to trial direct routes from Scotland.

Lewis Macdonald: Yes, and it should be looked at again as a matter of importance.

Iain McTaggart: SCDI would always take into account the needs of the north-east and the Highlands and Islands as well, for example, in terms of air connectivity to London, which is

crucial. We need to keep firing on all fronts to raise that agenda.

Chic Brodie: To follow on from Johann Lamont's question about young people, what representations has SCDI made to the Home Office in respect of its asinine strategy on visas? As you know, the fresh talent initiative, under which we encouraged young international people to stay in Scotland and do the very things that you were talking about, has gone.

Secondly, SCDI has expressed doubt that the Scottish Government's targets on exports will be met. Can you tell me why?

Iain McTaggart: I think that the doubt that was expressed in the paper was based not on any robust evidence, but on feelings about the state of some of the key markets to which Scotland exports; it was not saying that an ambitious target would not be able to be reached. The eurozone markets have been quite challenging for Scottish exporters recently. Having said that, the latest export figures indicate a 7 per cent increase, which is very encouraging. There is still a lot to play for and we would not want to downplay the opportunity to reach the target. Our comment was in response to some of the difficulties in other economies.

On the other issue, I can tell you that we have made regular, continuous representations to the Home Office and the UK Border Agency. That is a key issue about which we hear regularly from our members, particularly universities and colleges. There are issues around student visas and the opportunity for international students to continue working and contributing to the Scottish economy for a longer period.

We agree that the fresh talent initiative was a fantastic opportunity and a great success, so far as we could see. It would be ideal if we could continue to tap into that international experience of students coming to Scotland. They bring a cultural dimension and understanding that can help give our younger people and their Scottish cohorts a broader outlook. We have concerns about the visa situation.

Dennis Robertson: Scottish Enterprise and Highlands and Islands Enterprise, probably through SDI, have stated quite clearly in their new business plans that they are looking towards the internationalisation programme for exports. They are talking about the opportunities that they have. Scottish Enterprise has stated clearly that it will be there at the beginning of the journey, to realise people's ambition, to take them through the process and offer the guidance and support that they need. Do you believe that that is not happening? From what I can gather, there is a suggestion that it might not be happening, but it is

clear within their business plans and their written evidence to us that those agencies are there at the forefront to take forward the internationalisation programme in Scottish exports.

Iain McTaggart: I welcome their comments—those agencies must be at the forefront of the internationalisation drive. Over the years, the agenda has widened; this morning we have touched on only some of the sheer number of subjects that can be included in terms of fulfilling our potential internationally. I welcome and endorse what they say, but there are opportunities for further collaboration with others to maximise the agenda because—

Dennis Robertson: Will you expand on that?

Iain McTaggart: Many organisations are hearing from their networks that companies are still confused and do not know how to get the right help or where to access information. We must address that, if that is the case.

Dennis Robertson: That takes us right back to the beginning of the evidence and the setting up of a network to ensure that the evidence is clear for people to access.

SDI is saying that it is there, that it is providing the evidence and that it is raising awareness. Do you believe that it is not?

Iain McTaggart: I am not saying that. I do not believe that it is not doing that. For example, the smart exporter initiative was aimed at getting a greater volume of businesses into exporting to attack more of the mass market, if you like, by giving them the basic tools to understand what the journey ahead is. What I am saying, if anything, is that I do not know the outcome of that, so I cannot comment one way or the other. However, it would be good and useful if the outcomes were shared more widely, so that we all understand the lessons that have been learned.

Dennis Robertson: The challenges faced by businesses when exporting include air passenger duty and access to ports for freight and the associated costs. Are your members telling you that those are some of the obstacles that they face and that prevent them from exporting?

Iain McTaggart: We have heard that there are obstacles that make exporting more difficult, such as port congestion and access—the routes and the time taken to get to ports—particularly for long-haul destinations. We have included our views in another submission on freight to the Infrastructure and Capital Investment Committee, so you might see the details that you are looking for in that.

From time to time, even the successful and experienced exporters come up against the logistical challenges of getting their goods to market.

Dennis Robertson: And APD?

Iain McTaggart: The SCDI has always advocated that APD is an uncompetitive tax. We welcome its devolution and we want it to be eradicated.

The Convener: How quickly do you want APD to be removed or reduced? I understand that Scottish Government policy is to reduce it by 50 per cent within the term of the next parliamentary session, which could be six years away. Is that satisfactory?

Iain McTaggart: No, we would want to see a more rapid effect than that. If we look at the competitiveness of aviation taxes in the UK compared with other international markets, APD does seem to be quite a deterrent, particularly in Scotland, where we have geographical issues to deal with in relation to how our people fly around the world. It is an added burden that we could do without.

Richard Lyle: SCDI has been at the forefront of trade missions and all exports for the past 50 years. If the opportunity came again, with a decent contract or one that you liked, would you take part?

Iain McTaggart: Yes. We never said that we would not want to be involved. We are looking more at the issues that affect exporters. Our agenda is to talk to our experienced exporters and see how they can help SMEs.

Over the years, we have been very good at taking companies to the market. We have built up knowledge and we would want to continue playing that role if the opportunity was there and it was on the right terms.

The Convener: As there are no more questions, we will call a halt there. We are slightly over time, but that has been a very useful session. Thank you very much, Mr McTaggart.

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

11:09

Meeting suspended.

11:15

On resuming—

The Convener: We move to agenda item 3. Last week, Gordon MacDonald, Lewis Macdonald and I, accompanied by Dougie Wands and Greig Liddell, shadowed a trade mission to Saudi Arabia that was run by SDI in conjunction with UKTI. I will report back briefly on what was discussed.

The joint UKTI and SDI-sponsored mission, called Saudi-British energy week, happened in Al Khobar, which is up on the Persian Gulf coast in the Eastern Province of Saudi Arabia. Between 30 and 40 companies were represented; I think that 10 were from Scotland, many of them from the north-east. We attended sessions with the local chamber of commerce, the Asharqia Chamber—I hope that I have pronounced that correctly—and that provided companies with an introduction to the opportunities and challenges of doing business in the region. We met the head of the chamber's board of directors to discuss opportunities for Scottish businesses in the oil and gas sector, particularly in the Eastern Province, which is Saudi Arabia's energy hub, and we engaged a lot with the Scottish companies that were participating in the trade mission to understand the objectives of the visit. The feedback was generally very positive, with companies reporting productive meetings with Saudi counterparts and possible leads for future contracts. I think that in the next few weeks the committee will follow things up with those companies to find out the productive benefit of participation in the trade mission.

During our visit, we had a number of discussions with UKTI and SDI officials to better understand the support that they provide to companies that are seeking to internationalise in this market and elsewhere; we met several global Scots working in the region to find out more about the support that they offer Scottish companies that seek to enter the local market; and, with SDI officials, we met representatives from the Al-Qahtani group of companies, which is a Saudi trading family, to discuss opportunities for future partnerships with Scottish companies in the oil and gas and education sectors.

Overall, I felt that the Scottish companies had a favourable impression of the mission and that they thought that the service being offered by UKTI and SDI was praiseworthy. Certainly, the SDI people on the ground were extremely knowledgeable and very well connected and were very good at opening doors and setting up contacts, and it will be interesting to follow things up in a few weeks' time and find out what concrete business deals have been done as a result of that investment.

Those are my impressions of the visit. Lewis and Gordon, do you wish to add anything?

Lewis Macdonald: I just want to say a couple of things about some of the companies involved and the way in which Saudi-British energy week was organised. For a start, I thought that there were a number of effective seminars for companies on how to trade. I was very surprised to discover that one of the Saudi Arabian businessmen, the general manager of Safawi, who addressed one of our conference sessions had,

over Christmas, bought an Aberdeen company called Caledyne, whose opening I spoke at 12 years ago. It was interesting to see trade and investment flowing in both directions.

Other Aberdeen companies such as Asco and Raeburn, which I am sure Dennis Robertson and others from the north-east will know, were also represented, but I have to say that I was struck by some of the less obvious participants. Sarah Galbraith, who although a Scottish businesswoman is based in Cheshire and was at the trade mission with UKTI, was seeking work in training Saudi Arabian women to take lead roles in business. That is a new—and, I think, very welcome—departure in Saudi Arabia. Angela Mathis from Edinburgh was also there, looking to promote high-tech solutions across a range of industries. Although there was—rightly—a big focus on oil and gas and although there are obviously opportunities in that sector, I was struck by the broad range of interests that were represented and welcomed the signs of progressive change in the Saudi Arabian economy.

Gordon MacDonald: I, too, want to make just a couple of comments, convener. First, we should write on behalf of the committee to Hadi Fawzy to thank him for his support, because I do not think that we would have had the degree of access that we had, especially to the Al-Qahtani family, if he had not made those arrangements.

Secondly, the Saudis made it clear that they were not interested in people who wanted to sell them standard products at a discount. The term that came up very often was "Saudi-isation"; having had oil for 75 years, they are fed up with not making more profit further down the line at the manufacturing end of things and they are looking for innovative companies that are willing to put down roots in Saudi Arabia and employ highly skilled Saudi individuals. The thing that frightened me and which should frighten a lot of exporters is the joint venture with The Dow Chemical Company of America at Jubail, where a new chemical plant is being built that will be one of the most efficient in the world. The plant, which is coming on stream next year and will, I think, cost £30 billion, will take the raw materials, produce the chemicals and then move on the next stage of producing paint, plastic and cosmetics—the works—for export abroad. A lot of companies that currently provide those items to the Saudi market will not only lose that market share but have to compete with one of the most modern and efficient plants in the world, which, as I have said, will come on stream next year. That will eat into the market, and it represents a huge danger for companies.

The Convener: Thank you for that.

I should also mention that Gordon MacDonald and I visited the Forth Ports operation at Grangemouth and the transport company W H Malcolm. That interesting and useful visit was undertaken jointly with the Infrastructure and Capital Investment Committee, and I am sure that we will report back on it in due course.

11:23

Meeting continued in private until 12:11.

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