



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 18 March 2015

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ECONOMY, ENERGY AND TOURISM COMMITTEE
9th 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:

Neil Francis (Scottish Development International)

Jane Martin (Scottish Enterprise)

Guy Warrington (UK Trade & Investment)

James Withers (Scotland Food & Drink)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 18 March 2015

[The Convener opened the meeting at 10:00]

Internationalising Scottish Business

The Convener (Murdo Fraser): Good morning. Welcome to the Economy, Energy and Tourism Committee's ninth meeting in 2015. I welcome members, witnesses and guests in the gallery and remind everyone to turn off—or at least turn to silent—all mobile phones and other electronic devices so that they do not interfere with the committee's work.

Agenda item 1 continues our inquiry into internationalising Scottish business. We will have two panels this morning. I welcome the members of our first panel. Starting from my left, we have Jane Martin, the managing director of customer operations at Scottish Enterprise; Neil Francis, the director of international operations at Scottish Development International; and Guy Warrington, the director of English regions in UK Trade & Investment.

We have up to 90 minutes for the session and have a bit of ground to cover. As always, I remind members and witnesses to keep questions and answers short and to the point. That will help us to get through the topics in the time that is available to us. It might help if members directed their questions to a particular individual initially. If any witness wants to answer a question that was addressed to someone else, they can catch my eye and I will bring them in as best I can and as time allows.

I will direct the first question to Mr Francis. We have heard evidence about SDI's dual role. It is involved in attracting inward investment to Scotland, on which our track record has been good. Another role involves promoting Scottish exports and internationalisation, which is the inquiry's focus. Will you say a bit about how you deal with those two roles, which must involve a degree of conflict at times, and how you split SDI's resources—the budget and staff time—between the two distinct but complementary roles?

Neil Francis (Scottish Development International): At the heart of the matter is Scotland's international competitiveness. That is what will drive our future prosperity and growth. Attracting additional inward investment and

supporting our existing company base to internationalise are critical components of driving that international competitiveness.

The reason why those issues are closely linked is that many of our largest exporters are also inward investors. Many of the companies that we attract here come to Scotland not simply to access our domestic market, which is small, but to use our country as a launch pad into Europe, the middle east and Africa.

We balance our efforts between the two areas through an understanding of where our priorities are and where we can truly be internationally competitive. As many of you know, we tend to take a sectoral approach, which means that we plan our activities sector by sector, whether that involves food and drink, financial and business services, tourism or whatever. From that, we know that the balance of opportunity from inward investment and trade differs between sectors.

For example, our opportunities in the business and financial services sector are principally on the inward investment side, so our balance of resources there is in attracting inward investment. However, in the food and drink sector, the balance of our priorities concerns trade and supporting our existing companies to grow their international revenues. We balance our resources there with that in mind.

We understand the priorities of each of our sectors by sub-sector. It is not just about life sciences, for example; we must understand which of the markets in life sciences around the globe we need to target—those where we are really competitive, such as medical devices and pharma services. With life sciences and pharma services, we know that the opportunities are in India, in South Korea, on the east and west coasts of America and in Japan.

We have such a picture for each of our sectors. When we put that together, that allows us to understand where we should place our resources. I hope that that answers your question.

The Convener: Yes. On the budget split, do you have any sense of how much of your budget goes on inward investment as opposed to export potential?

Neil Francis: I do not have that exact information with me. We can provide it to the committee later.

Inward investment involves how we target and attract investors to Scotland. Part of that proposition sometimes involves providing the investor with a financial incentive package—not always, but sometimes. That comes from our regional selective assistance budget, which is held elsewhere. We cannot draw on that budget on a

needs basis. We do not preallocate that at the beginning of the year.

Our trade investment, on the other hand, tends to be allocated more at the beginning of the year. In the current financial year, the estimate of what we are spending on our trade effort, excluding the cost of our staff resources, is about £11 million. We will confirm the precise numbers to you in due course.

The Convener: That £11 million is out of a total budget of how much?

Neil Francis: I am sorry—I do not have that figure in my head. *[Interruption.]* Guy Warrington is showing me a number. No, that would not be the correct number, Guy. *[Laughter.]* I apologise—I do not have the figure.

The Convener: You do not have the figure—that is fine. We can follow that up.

I will move on to a slightly broader point, and we can perhaps bring in Mr Warrington to get his initial comments. As we have gone through our inquiry, we have heard a lot about how UKTI and SDI work together. The feedback that we have had is that the working relationship is generally good. Those of us who went to Saudi Arabia saw how the local teams work together.

However, we still have concerns that there are gaps and that the UKTI programmes are less visible in Scotland than they might be in other parts of the UK. The complementarity of the programmes that UKTI and SDI offer is perhaps an issue. You can start off, Mr Warrington, and I will bring in SDI later. What is your sense of how UKTI works together with SDI and of what might be done to improve that?

Guy Warrington (UK Trade & Investment): I think that we have an excellent working relationship with SDI, as we have with the Welsh and Northern Ireland Governments. If people talk about a lack of visibility of UKTI in Scotland, that might concern how things are branded at the point of delivery. We do not sell our products actively as UKTI in Scotland; we rely on SDI to sell our product range, so to speak, and to sell the real thing that we bring to the table, which is our overseas network, as part of what it delivers. It is quite conceivable that people will enjoy UKTI services and will use the services of our overseas network but will not see that as being a UKTI service—they might see it as a British Government service or maybe an SDI service.

My background is at the Foreign and Commonwealth Office. People might think that they are getting assistance from the embassy, and they might not see any UKTI branding there. There is a danger of conflating the question whether people are aware that something is a

UKTI product with the question whether the UKTI offer is available to all Scottish companies—which it is.

Jane Martin (Scottish Enterprise): I agree. Scottish Development International is the lead agency for trade and investment in Scotland. It is a partnership in its own right between Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Government. Over the past couple of years, since the Economy, Energy and Tourism Committee inquiry on the issue in 2010, we have been ramping up the presence of SDI as a brand, so that it is a one-stop shop and a prime agency where people can access all kinds of trade and investment support.

Neil Francis: Guy Warrington is absolutely right that the important thing is that the customers—the companies in Scotland—get the full range of support that is available to help them to maximise the impact of their internationalising efforts. For example, last year, SDI supported 2,708 companies in Scotland with 5,300 interventions; UKTI supported 1,400 companies in Scotland with 3,000 interventions; and we supported more than 600 companies together. That is quite a lot of evidence.

As Guy Warrington suggested, on the question whether companies are getting the right support from across the full range of products and services that we offer, I think that the answer is yes. Our approach is not to duplicate. We try our hardest not to duplicate products that are available through UKTI. It is about complementarity.

On the general relationship, Guy Warrington is absolutely right that the relationship is constructive and positive. We have a six-monthly chief executive officer summit, which involves the CEOs of SDI, the Welsh Government department, Invest Northern Ireland, London & Partners and UKTI. They are now working much better to set the strategic agenda and identify strategic issues that need to be tackled. Supporting the CEO group is the partnership forum, which meets quarterly and comprises the same organisations. That does the heavy lifting of looking at the issues and coming up with solutions to ensure that we deliver better services to our customers.

Jane Martin: You asked about improvements, convener. On the back of the Wilson review last year, the Scottish and United Kingdom Governments have agreed a joint approach and we have a joint working group in place that involves all the parties, including the Scotland Office, the Scottish Government, UKTI, SDI and the Foreign and Commonwealth Office. We will come together to develop a joint action plan to make improvements, which will take account of things that came out of the Wilson review. We should have that plan out in the next few weeks.

The Convener: Dennis Robertson wants to follow up on some of those points.

Dennis Robertson (Aberdeenshire West) (SNP): I will pick up on the point that Jane Martin just made about the Wilson review. I understand that a lot of dialogue and meetings are going on and that there might be complementary working and unity. Who is leading the working group that she mentioned? Who is taking it forward and who chairs it?

Jane Martin: I ask the other witnesses whether they know who chairs it.

Guy Warrington: I went to the first meeting, which did not have a chair.

Dennis Robertson: So no one is leading the group.

Guy Warrington: It is a genuinely collective endeavour.

Dennis Robertson: I hear what you say, but I am asking who takes a lead. The issue is important. The group is about moving forward on recommendations in the Wilson review. Surely someone is taking the lead on that.

Jane Martin: I can certainly find out who chairs the group. I am sorry that I am not aware of that.

In Scotland, SDI is taking the lead. It is down to us to ensure that we work with the UK Government, UKTI and other partners across Scotland to ensure that the position makes sense for Scottish businesses and that we are joining stuff up.

Dennis Robertson: Exactly which individual is taking the lead?

Jane Martin: My responsibility in my new appointment as managing director of customer operations is to lead on the whole service alignment piece from a Scottish Enterprise perspective. A key part of my new role is helping to make that happen, along with Neil Francis and some of my colleagues in SDI, as well as people across Scottish Enterprise and Highlands and Islands Enterprise who work in other areas of business support.

The important thing is to join things up from a growth perspective. Exporting is really important, but there are other aspects, such as innovation and funding. The more we can join things up from the perspective of the end users—the businesses—the better. The body of work that I am leading for Scottish Enterprise is getting that alignment much further up the agenda.

10:15

Dennis Robertson: I understand that.

My next question is for Guy Warrington. Which of the Wilson review recommendations should we be moving forward with as a priority?

Guy Warrington: The most important thing to have come out of the Wilson review so far, in a practical sense, has been the formation of the group in which we can discuss the areas that we can take forward collectively and how we can improve our co-operation on trade work. That is the most practical outcome of the review so far.

Dennis Robertson: My concern is that we have a group of people who are having a dialogue, but the group seems to be rudderless at the moment, because we have not identified who is leading it, even though it has already had a meeting.

One of the recommendations was the establishment of a single portal because, for a lot of companies out there, there seems to be a lack of direction or a maze of pathways when they try to gain information. Do you support the idea of having a single portal?

Guy Warrington: It is a universal issue that applies not just in Scotland. We had a review in the UK to set up what became the business growth service. A portal where people can access the entirety of business support in one place is needed. In England, we have that in the form of growth hubs.

However, I think that there should also be a no-wrong-door policy—that is, people should not be forced to go to that one place to get everything that they need. There should be a place where people can get everything that they need, but we should accept that people will go through other doors, which should take them to the same place—they should arrive at the same process whereby their needs are diagnosed and they are fed out to the people who can help them.

I am sorry that I cannot give a straight yes or no answer to your question.

Dennis Robertson: I am not sure that I expected one. At the end of the day, it is a matter of customer choice. However, the customer is looking for some direction on how they can move forward with the potential for growth. They are looking for advice on who to go to and, whether that is signposted or not, the situation is confusing for them. What is Mr Francis's opinion on that?

Neil Francis: I agree with what Guy Warrington said and with your comments. We are talking about growth, and internationalisation is one of the key drivers of growth, although it is not the only driver—we know that leadership and innovation are also important. Customers need ease of access not only to international support but to support to allow the issues that lead to growth to be addressed.

I also agree with Guy Warrington that there should be no wrong door. It is important that, no matter which way people come in, they get the services and guidance that are required.

Dennis Robertson: Do you agree with the idea of having a single portal to enable the information to be gathered at one point, so that people can access it and then make a choice?

Jane Martin: I absolutely agree with that, and I draw the committee's attention to a couple of pieces of work that are under way in Scotland. We have a business portal programme—the URL is business.scotland.gov.uk—that is intended to be where businesses can go to access a range of support that is available across the public sector. Scottish Enterprise, Highlands and Islands Enterprise, business gateway, local authorities and Skills Development Scotland have all been involved in that work. The portal is under development, but it is already live and we will continue to improve it. It is about to be integrated into the Scottish Government's mygov.scot portal, which is a one-stop shop for all services for both citizens and businesses. That work is under way.

Our working group has worked on the no-wrong-door idea. If people visit business.scotland.gov.uk, they should get access to all the information that is available across multiple sites—including the UK site, incidentally, because we link into gov.uk. Equally, if someone goes to business gateway, which does not necessarily offer direct exporting support, it will direct them to the SDI and Scottish Enterprise websites.

We have been working on both approaches at the same time. It is not perfect—we are on a journey—but the principle is absolutely correct. We are working on that across public sector partnerships.

Dennis Robertson: I understand that. Is Scottish Enterprise taking the lead? Does it manage the website to ensure that the information is correct and continually updated?

Jane Martin: Scottish Enterprise was leading on the matter but, just under a year ago, the responsibility was transferred to the Scottish Government's online services division, in order to merge the business and citizen sides of things.

Chic Brodie (South Scotland) (SNP): Good morning. Do we assume from the fact that you are working together that your strategies on products and services are aligned? UKTI and the UK Government have an emphasis on, for example, defence sales, which we do not. What strategy is coming out of the working group on products and services?

Guy Warrington: It is probably a bit early to say what the outcomes will be of a group that has met only once to discuss what it might discuss—

Chic Brodie: Why did you set it up if you did not know what you wanted to do?

Guy Warrington: The group's remit is to identify areas where we can co-operate more closely. We have not discussed the alignment of sectors or anything like that so far.

Jane Martin: There is strong working at a sectoral level. Perhaps Neil Francis will say a bit more about that.

Neil Francis: There are two slightly different components to Chic Brodie's question. One part of the question is about where we should place our priorities. We have a sectoral approach in Scotland, and there is increasingly an industrial sectoral approach at UK level. Clearly, in some areas, our strengths in Scotland are slightly different to the strengths elsewhere in the UK. That is fine, and it is right that we should focus on Scotland's strengths and priorities.

The second part of the question is about products and services and interventions to support companies to exploit the strengths in international markets. In the main, those are applicable across all sectors, so the approach is slightly different. On our product portfolios, we are fairly strongly aligned and there is little duplication.

Chic Brodie: At a previous committee meeting, we heard that those who are representatives abroad—this may apply to UKTI and SDI—must be experts on life sciences on the Monday and experts on energy on the Tuesday and so on. What expertise does the UKTI have available? Does it have the same problem as us in that we do not have people internationally with high levels of expertise, perhaps understandably, who can entertain the interests from a sector in China, India or wherever?

Guy Warrington: As I said, I have run overseas posts and trade sections—that is my background. How much sectoral expertise we can provide depends, to a large extent, on the size of the embassy concerned. You gave China and India as examples. My last posting was to the United Arab Emirates. We had the critical mass to cover all the sectors important to those markets. Therefore, we can do that in posts where we have the critical mass to do so.

We organise ourselves on a sectoral basis overseas; we organise ourselves on a sectoral basis in our headquarters; and in the English regions, which I run, we also organise ourselves so that sectoral expertise is available on all sectors in all regions. However, what you say is true: if someone goes to a small post with a two-

man trade section, they have to be a Jack-of-all-trades and bring in the expertise from other parts of the organisation.

Neil Francis: It is an excellent question and, as Guy Warrington said, there is a challenge, especially in areas where we only have a few people. Two things are really important for us. One is to continue to focus on our priorities and be very clear about what the priority sectors are in each market so that we have an opportunity to build an expertise to support those particular sectors. The second thing is how we work across our agencies in field—in market—so that, if we do not have the expertise but UKTI has it, we can make best use of it.

One thing that we have been doing is listening to our industrial base. For example, Scotland Food & Drink has been doing work on establishing a very clear international export plan that is focused on 15 priority markets. We have been working collaboratively with the Scottish Government and the industry itself, and in seven of those priority markets we are putting in a dedicated food and drink specialist—someone who will absolutely have the knowledge. We already have specialists in China and Canada and one has just been hired in France.

That approach will be rolled out to seven of the markets. It will be really interesting for us to see the additional impact that it will have in the next few years on the performance of the food and drink industry's exports.

Lewis Macdonald (North East Scotland) (Lab): I want to pursue one or two questions on the partnerships that you have with other agencies, starting with your relationship with the Scottish Council for Development and Industry. We heard from it earlier in our inquiry that it had previously been partners with SDI in delivering the market visit programme, for which the UKTI has delegated the responsibility to you. What are your reflections on the fact that, at the last occasion, the SCDI chose not to bid for that tender because it felt that it could not actively engage?

Jane Martin: We were disappointed that the SCDI chose not to proceed with that tender opportunity. It had previously secured the contract to deliver trade missions on behalf of SDI. The main change, which came on the back of the feedback about clarity, was that we wanted all missions to be branded under the SDI banner, and it was open for the SCDI and others to tender on that basis. The tender was awarded to the BE Group and, since it was awarded, we have delivered nine cross-sectoral missions to different markets and 120-odd companies have been on those missions.

We were disappointed because the SCDI was a very important partner for us. We have already sought out some discussions with the SCDI about the future. I am meeting Ross Martin in early April. The part of my team that is responsible for cross-sectoral missions and running overseas exhibitions is looking at working with the SCDI and Scottish Chambers of Commerce to create a bit of a community of practice in Scotland and to get in place a much stronger partnership in which we meet once a quarter and share forward plans. Rather than have procurement-supplier relationships, we want to engage in a much more strategic dialogue about the future and how we can complement each other.

Lewis Macdonald: One of the common things that we have heard is about branding. When Guy Warrington replied to the first question about UKTI's visibility, his answer was that a lot of work is branded as SDI and is therefore not visible. You said that the SCDI chose not to pursue the tender, perhaps because all missions had to be branded as SDI even if the SCDI was delivering them.

Is there a common thread there? To judge from much of the evidence, there is clearly a view that exporters need to know who they are dealing with and want it to be simple, but does SDI overbranding what other people can do or are doing muddy the waters?

10:30

Jane Martin: I am not aware of any evidence or feedback that it has muddied the waters; I hope that it is quite the contrary. However, if aspects of the market wanted to do some things themselves, we would welcome that because it would mean that the public sector would not be funding them. I am absolutely open to, and up for, having a dialogue about how we might make such an approach work in future.

Neil Francis: I will add a couple of wider comments about our partnership.

We have a fantastic scale of ambition for Scotland's international competitiveness. For us to achieve that ambition, we need organisations across the private sector and the whole gamut of the public sector all to contribute to it. The way that we will end up with the whole being greater than the sum of the parts is for each organisation to play to its strengths—to focus on the specific role that it can play and where it can add value.

We are passionate about that and we need to carry on working with all the partners to mobilise as much momentum, resource and effort as we can muster to improve Scotland's international competitiveness.

Jane Martin: At UK level, some interesting work is going on with the British Chambers of Commerce on the role of the chambers network in this space. We are fortunate that we have Nora Senior, who is chair of Scottish Chambers of Commerce and the British Chambers of Commerce. I have already engaged with her about what lessons we can learn in Scotland—I do not have the answers yet—and whether there is anything that we could do to create more impact. We will continue that dialogue.

Lewis Macdonald: We heard from Brian Wilson the other week that, as his report shows, there are places where SDI and UKTI co-locate and that that is a successful model in some cases. There are other examples in which they are in the same city or country and are not co-located.

Can we have the benefit of your reflections on the different experiences of co-location and otherwise? Does it make a significant difference and, if so, would you want it as standard?

Guy Warrington: It is not for me to say whether co-location should be a standard, because SDI will decide how it allocates its resources. However, when I was in Dubai we were co-located and, to go back to the question about whether people should be a Jacks-of-all-trades or have a specialism, it was clear to me that the small SDI team benefited massively from sitting right next door. It was not just a co-location in the sense of being in the same embassy building; they were in the same part of the building. If they did not know the answer to something, there were 20 other people sitting outside they could access.

Although the embassy buildings will always be open to SDI staff to use, it is a much more instinctive reaction to use them if they are in the embassy in the first place. Therefore, if we want to sweat the assets, so to speak, and make the most of the UKTI overseas presence, the easiest and best way to do that is to co-locate.

It is not for UKTI to insist upon that or say that it should happen but, where it happens, it works well. I have never been in a post in which it was not the case, so I would not want to comment on that.

Neil Francis: My reflections are along similar lines to Guy Warrington's.

There are a lot of advantages to co-location, but the more important point is how we work collectively in particular markets. In some markets, we are not co-located but we work together in a very joined-up way; in others, there is room for improvement. Ultimately, there is complete agreement from the UKTI and SDI leaderships that we have to work collaboratively and in a joined-up manner in all our markets. However, to

an extent, it comes down to individuals on the ground.

The other reflection that I would make is that, although there are lots of advantages to being part of the FCO platform in particular markets, there are also some constraints. Security is very important. Sometimes when we want to develop opportunities for businesses to have quick and easy touchdown space, we find that in certain environments there are constraints, and we have to take that into consideration on occasion.

Jane Martin: Perhaps this is more for the future, but I should point out that there are other types of co-location. I was interested to see in the programme for government the idea of one Scotland partnerships. The question is: how do we—SDI, the Scottish Government, universities, Creative Scotland, VisitScotland and so on—coalesce in a specific overseas market? Depending on the opportunities in that market and what we are trying to achieve, there is an opportunity to think about other ways of joining things up to have more of an impact and create more of a presence and buzz around what is going on in Scotland. Again, it is early days, but that is another opportunity for co-location that we might want to consider for Scotland.

Lewis Macdonald: That is clear, but I guess that my question is: given that there are things that might, in some circumstances, pull you in two different directions, how does SDI or its sponsors judge the appropriate way to proceed in each market? In other words, how do you decide whether to have a larger, more diverse Scotland presence or to have a co-location on trade with UKTI? Clearly, in some cases, you cannot do both.

Jane Martin: Again, it is very early days, but my view is that such a decision will depend on the market and the opportunities in it.

Lewis Macdonald: So it is on a case-by-case basis. Thank you.

Gordon MacDonald (Edinburgh Pentlands) (SNP): With regard to your comments about good relationships, joint and collaborative working and so on, a recent European Union report entitled "Supporting the internationalisation of SMEs" states:

"In terms of exporting there is considerable scope for improving the performance of UK SMEs".

It points out that 21 per cent of small and medium-sized enterprises in the UK export, while the average for the 27 countries in the EU is 25 per cent. It then highlights the lack of take-up of financial or non-financial support compared with other EU countries. Who is ultimately responsible for trade support in the UK, and why has that

support not been as effective as it has been in other EU countries?

Guy Warrington: I have to be careful here, because I do not want to get into a constitutional minefield. After all, trade is a devolved matter; we have devolved the interface—or what we call the international trade adviser—aspects and, as a result, this is a shared enterprise. Our product range is a national one, and we deliver it nationally; obviously, our overseas network, too, is national. That means that responsibility for the underperformance of UKTI as a whole with regard to exports lies, if it lies anywhere, with UKTI.

The exports picture is a mixed one, and I do not think that it is strictly true to say that there is a problem with the take-up of services by UK firms. It is worth pointing out that, over the past three years, UKTI has increased the number of firms that it interacts with from around 25,000 to 50,000 companies. I do not know how old the survey that you quoted is, but our reach is growing. We have increased the number of mid-sized businesses that we deal with from 1,000 to 3,000. As I have said, 97 per cent of our customers are either SMEs or mid-sized businesses, and we have doubled the size of our reach in that sector.

There is quite a good tale to tell of the Government's engagement with export. The resources that the Government has put into export promotion and business support assistance have grown quite significantly.

We are not seeing quite yet the sort of numbers that we would like to see in export growth to get us to our real target, which is to double exports in the UK from £500 billion to £1 trillion, because that would require a growth rate of around 10 or 12 per cent. However, we are seeing some growth, which we must put into the context of the recent economic situation. A lot of our main export markets, particularly in Europe, have suffered some serious difficulties.

We should also take into account that, when we are providing business support and trying to convince companies to start exporting, a lot of the time the impact in actual exports is not immediate. This is a long-term play.

We need to get the next generation of exporters exporting. We need to get 100,000 new companies exporting in the UK. Those are quite stretching targets, but our levels of aspiration are high, the resources that we are putting into it are high and the number of companies that we are dealing with is growing.

Neil Francis: I agree with Guy Warrington's analysis. Members will be familiar with the Scottish Government's target to increase the value of our exports by 50 per cent by 2017. The recently published global connections survey 2013 shows

a tad under £28 billion. We are on the right trajectory to hit that 50 per cent, but obviously there is no room for complacency.

We can think of exporting as being about helping our existing exporters to generate more from their international activities by supporting them to go to different markets and take products to market for the first time. We have talked a bit about that.

The other element, which is relevant to Gordon MacDonald's question, is that we need to increase the total number of companies exporting, especially companies exporting for the first time. As Guy Warrington said, that is a hard road to go down. It takes determination, commitment and resources. Through our smart exporter programme, which ran from 2010 to 2014, we supported 4,700 companies to get started on the journey. Clearly, we need to continue to build momentum. We have taken the learning from smart exporter, and we have a new programme that has just been launched to put more momentum into the new exporters piece. We are very committed to that.

I want to say a little about the statistics—which are wonderful things. If you look at performance country by country, you will notice that the UK's performance is in line with the other large countries of the EU—France and Germany. I think that I am right in saying that; you will correct me if I am wrong. Some of the best-performing countries are the smaller countries. I think that that is partly because of the number of international borders a country has and how close those borders are. The smaller the country is, and the more borders it has, the easier it is to trade internationally.

If we look at the UK data, we see that 30 per cent of Northern Ireland's SMEs export. The main reason for that is that companies are within 90 minutes of an international border. I am not saying that we should not redouble our efforts to increase the number of new exporters, but I would say that geography has an effect on the statistics.

Joan McAlpine (South Scotland) (SNP): To develop that theme, could you explain to us how SDI's services, and Scottish Enterprise and HIE account management work together?

Neil Francis: I am sorry—could you repeat the question, please?

Joan McAlpine: Could you explain how SDI and Scottish Enterprise account management systems work together? How do you work with account managed companies, HIE and Scottish Enterprise?

10:45

Neil Francis: That is a great question. SDI works in the same way, with the account management approach of SE and HIE. In summary, we are the international specialists for those organisations' account managers.

As you know, the account manager's focus is on engaging strategically with the company and identifying the challenges to its growth—be they to do with innovation, organisational development, international strategy or leadership. The account manager's job is to draw in the specialists from around SDI—in our case, the international trade advisers from the organisation—to work with the company in the context of the overall framework on the international component.

Joan McAlpine: Quite a lot of exporters are not account managed. I have raised this issue before in committee in relation to the south of Scotland, and to Dumfries and Galloway in particular. Just 1.8 per cent of the total number of SE growth exporters are in Dumfries and Galloway, which is the lowest percentage in Scotland. What are you doing to address that state of affairs, which many people see as a failing?

Jane Martin: I am happy to answer that question, because one of the other things that I am responsible for, from a senior perspective, is how Scottish Enterprise works across the south of Scotland. I have already met senior people in Dumfries and Galloway Council and Scottish Borders Council. That statistic that you quoted is in line with the number of growth companies in the area. One of the underlying questions is how we change the business base across the south of Scotland.

We will be working with both those local authorities on a piece of analysis, first of all, so that we can genuinely understand the barriers, the company base—not just in terms of turnover—and how we can shift things when it comes to ambition, the number of exporters and developing an international mindset. I suspect that we have not done the analysis; I suspect that it will be a long-term game—a bit like what Neil Francis was discussing earlier. We are now putting in place the partnerships so that we can have the right conversations, get under the skin of what is happening in that area and consider collectively what our response will be.

Neil Francis: That was a really great question. About 65 per cent of the companies in our account management portfolio are exporters. As has been pointed out, the figure has been sitting at about 50 or 51 per cent in Dumfries and Galloway. We have more of a job to do with the account management portfolio as a whole. We have more of a job to do in supporting the growth companies in Dumfries

and Galloway to get them trading internationally; we are absolutely committed to that. We just have to redouble our efforts, working with our growth companies to take them through the stages of an international journey.

That journey falls into three bits: awareness and ambition; capability and capacity; and exploitation and entry. For many of our companies, the main barrier is in respect of ambition and awareness. It is hard to change someone's awareness, although we can do that relatively well, but to transform someone's ambition is quite hard work, and we need to focus on that.

Beyond the growth companies, we have spoken about the need to support more exporters in general, and we have been considering new approaches. One of those approaches involves collaborative solutions. We have been piloting a collaborative-solution approach in the food and drink industry, which involves identifying a clear market opportunity and bringing together a group of companies that can attack that market opportunity. They might not have the scale or wherewithal to do that individually, but as a collective they can attack that opportunity and use aggregators to aggregate the offering to the market.

You might have seen some press commentary yesterday about a new craft beers association getting member number 15, I think it is. That has come out of that approach. It is a whole new trade association for a niche product, and companies are working together to get into new markets. Last night, we heard about new things in the basket of items when the inflation figures are calculated. Craft beers have suddenly appeared in that.

We are targeting new approaches that are relevant to rural communities, as well.

Jane Martin: A couple of specific actions are under way as well as the work to understand the underlying business base and the reasons behind it. Obviously, we have worked with Dumfries and Galloway Council on the export week to raise awareness in the area, and we are also doing work on continuous professional development with business gateway staff and others to ensure that staff members who engage with businesses are aware of the opportunities, the support that is available and the right questions to ask in order to stimulate demand for more services.

Joan McAlpine: I certainly welcome all that.

In the HIE area, the turnover that qualifies a company for account management is lower than that in the Scottish Enterprise area. That issue has been raised before. Obviously, there are rural parts of southern Scotland that are very similar to the Highlands, but they have a higher bar to reach

because they are in the Scottish Enterprise area. What are you doing to address that?

Jane Martin: On the back of the feedback and our conversations with Dumfries and Galloway Council, we have agreed to look at the threshold. First, we need to understand whether it makes a difference and whether there is demand for growth. However, we are absolutely open to looking at that with the local authority.

Joan McAlpine: You would perhaps assess companies in a different way—you would assess their potential.

Jane Martin: Correct. We want to assess companies on the basis of potential and their opportunity for growth as opposed to just using a threshold, which is a bit of a blunt instrument. To be clear, that is kind of what we have been doing. Sometimes when we put out information about thresholds, for example, it sends the wrong message. We are much more interested in growth opportunities and how we can assist companies, or how we can ensure that others assist them, if we are just a signposter.

Joan McAlpine: Okay. Thank you very much.

Chic Brodie: My questions have been slightly pre-empted. I am the reporter on Europe to the committee; on a visit to Europe, we found that each member state—which Scotland is not yet—has a small-business envoy. Can Guy Warrington tell me what his small-business envoy does?

Guy Warrington: No.

Chic Brodie: Okay. Let me talk about Europe then. On the basis of what may happen in two years' time, what contingency plans have been put in place regarding servicing the European marketplace?

Guy Warrington: Would you say that again? I am sorry.

Chic Brodie: If we have a referendum on Europe in two years and the UK pulls out of Europe—it might be unlikely, but we do not know—what contingency plans has UKTI put in place and communicated with its partners in the working group, or what contingency plans did it put in place even before the working group?

Guy Warrington: I am not aware of any contingency plans of that sort.

Lewis Macdonald: I have a very small question for Jane Martin to follow up her answers to Joan McAlpine. You said that ways to assist are being looked at again. I presume that that applies not only to the south of Scotland, but more broadly across the Scottish Enterprise area. Is that correct?

Jane Martin: Yes—it is done, really, on a case-by-case basis as opposed to a blanket approach being taken. I was trying to get across the point that it is more important that we look at the growth opportunities and how we may be able to assist growth. That should absolutely be pan-Scotland.

Johann Lamont (Glasgow Pollok) (Lab): Earlier, you spoke about a joint action plan. I think that I might be getting a couple of coming togethers of groups mixed up. First, can you clarify the purpose of, and who is on, the group that does not have a chair and in respect of which we are all talking about what the issues are? Secondly, what is the joint action plan group? I want to confirm in my head what those two groups are.

Jane Martin: The first joint working group has been established on the back of the Wilson review. The Scottish Government and the UK Government have agreed that that group will go ahead. It includes the Scotland Office, the UKTI and a member of strategy staff from SDI. I am not sure whether the UK Government is represented, as I am not in the group. It is looking at the outcomes of the Wilson review and any actions that we need to take collectively to improve joint working. That group has met only once.

The joint working group that I referred to earlier is something that we are setting up with Dumfries and Galloway Council and Borders Council to look at the business base in the south of Scotland and how we might collectively support better growth across it.

Johann Lamont: The group that is producing the joint action plan has met only once, but you are saying that the joint action plan will be published shortly.

Jane Martin: My understanding is that the action plan will come out in the spring.

Johann Lamont: Will the joint action plan will be agreed and signed off after one meeting?

Jane Martin: It might be helpful for us to go away and get the committee some written evidence on the group's work, given that neither of us is part of it. We can go back to our organisation and send you written evidence on where the working group is at, what areas it is looking at and the timescale for publication of the action plan.

Johann Lamont: I want to ask about collaboration at the level that you work at and between the UK Government and the Scottish Government, and about the sense that devolution has ended up with two organisations competing with each other, rather than working together. What collaboration is there between the Scotland Office and the Scottish Government to ensure that there is not competition but co-operation?

Jane Martin: I do not know whether that question is for me to answer, but what you describe has not been my experience. For example, last week we had a session on global sporting opportunities. UKTI came up in that, because it deals with markets that we are not in. I do not get a sense that what you described has been a block at all.

Neil Francis: Following devolution back in 1999, there was a memorandum of understanding between the UK Government and the devolved administrations. That is managed through—someone will correct me if I get the terminology wrong—the joint ministerial committee, which meets regularly. That is the mechanism to ensure that matters of mutual interest are joined up.

Johann Lamont: I am making a slightly different point. The Scotland Office and the Scottish Government have a joint interest in Scottish companies increasing their export capacity. It would be useful if you could give us some evidence on the extent to which they work together. You can write to us afterwards.

You talked about food and drink, and so on. I am interested in whether activity in that area is driven by business, with the public sector coming in behind it, or whether it is driven by the public sector bringing people together. Is there collaboration on food and drink because companies have come together collectively and made their presence felt through public agencies, or are there examples of public organisations encouraging co-operation at industry level?

Neil Francis: I think that both things happen. In food and drink there is the industry leadership group, Scotland Food and Drink, which very much drives the strategic agenda of what needs to be done to support, develop and grow the industry in Scotland.

There are industry leadership groups for all the key sectors. Our role is two-fold. One role is to support and encourage the groups to come together, and the other is to respond, as appropriate, to the recommendations that the industry leadership groups make.

Jane Martin: Food and drink is a great example of how important the industry leadership is and how it can drive impact. I think that you are hearing from James Withers about what Scotland Food and Drink is doing on ambition. It has already reached its export targets, which they have stretched further. There is a real sense of co-ownership, which has made a big difference in food and drink.

11:00

Johann Lamont: Finally, I am interested in the role of colleges and universities. We know that there are individual initiatives, often at local level, between universities and colleges, and that international communications means that students can be brought over here or based in other countries. What links have been created between such initiatives at college and university level with local businesses? How could you support colleges and universities to do more of that? For example, to what extent would local business be informed if visitors were coming to a college or university here? Is there a process for that? Is there a way in which people would be able to plug in to advice and support if that was happening?

Jane Martin: We treat universities and colleges as a sector when it comes to support. Neil Francis might want to talk a bit more about what we are doing there.

Neil Francis: That is an excellent question, because that is an emerging and important role for our universities and colleges. We talked earlier about everyone contributing; the universities and colleges can support our international competitiveness and they can support business to internationalise.

We have strong communities of international students. The cross-party group on China has talked a lot about how we can use the 9,000 Chinese students in Scotland to support companies that are thinking of going to China for the first time.

We also need to look at where in the world our universities have relationships and campuses and how they can pioneer business relationships that our companies can capitalise on. There are also alumni scattered all around the world.

Our universities are doing to a lot support our business, but we can do more collectively to maximise the impact they can have.

Johann Lamont: With respect, that sounds aspirational rather than practical. How is a college in Glasgow, for example, supported if international students are coming or if there is a project in another part of the world? How will any of you support that college to make sure that local businesses are part of that?

I suppose that we are saying that all this is a good thing, but what practical measures are being taken now in organisations to support initiatives so that somebody would know where to go to get help or advice or to do the kind of things that you are talking about?

Jane Martin: Two practical things are going on just now. First, you are right to talk about the local level. For example, the work that we have been

doing in Renfrewshire is an example of exporting work and raising awareness. We have helped to facilitate the university there's international marketing students working with local businesses on potential market opportunities. Small businesses just do not have the time or the staff to do that amount of research, so we help to facilitate that kind of link. It works very practically, and it works at the local level.

In terms of sharing plans, and universities and colleges tapping into that, we have an online information-sharing resource called the source, which is open to any public sector partners to sign up to. It is where we share up-to-date information about Scotland's key sectors and opportunities. We also share all our plans for what is happening in the marketplace, including trade missions that are going out or exhibitions that we are attending.

It would be very difficult for us to offer a business-to-business support service for all colleges across Scotland from an international perspective. That said, we treat colleges and universities as businesses, so if they have a clear strategy, a development plan and a growth plan that we can help with, we give that help, but it is on a reactive basis with them coming to us.

Johann Lamont: There is no document that somebody who is thinking of doing X can work their way through to find out about good practice and information that is in the public domain. They might get advice if they happen to notice that the resource or right tool exists. From your perspective, there is nothing that recognises the potential of increasing international exports for local businesses.

Jane Martin: We would write up the Renfrewshire example as a case study and talk about it more so that people were aware of it. I am not aware of everything being written down in a document.

Johann Lamont: I am not expecting big, long documents. We have heard that it is a good idea and that there are all these people who could be really useful, but it does not feel as though there is any rigour around that. People are at the mercy of individual members of staff at individual colleges or universities who think that something might be a good idea and who suggest that they should ask whether there is any advice about how to make those international links. The organisations represented here have no strategy to improve business exports.

Jane Martin: We have other vehicles for raising awareness of those international possibilities. At director level, we sit on all the community planning partnerships. The Renfrewshire example came through our work with CPPs in which we look at the opportunities for the local economy. All the

directors who are involved in CPPs come together regularly and share best practice on what is going on in our different patches. We then share that information more widely. That would probably be the best vehicle for sharing information and putting international possibilities on the agenda.

For example, I sit on the East Renfrewshire CPP and I have been having conversations with the local authority and other partners there about what an international approach means to an area such as East Renfrewshire. We are thinking about how we can shift things and what might be put in place. A lot of my colleagues are doing that across the CPPs. Raising awareness would probably work best at that local level. It is about looking at how we can collaborate and put things in place around specific opportunities.

Johann Lamont: I have one last, very brief point on that. We have had some discussion about the role of driving increased exports for business at the city region level. You are saying that people on a CPP might raise the point, but that it is not something that you do routinely to make sure that there is that connection with city regions that might drive change. It is not that you are involved in a process—the international possibilities are raised only if you think of mentioning them at the CPP or if somebody happens to see an example somewhere else. It is not the job of the person sitting on the CPP to pursue that agenda.

Jane Martin: Actually, it is their job. We want to stimulate more of a conversation around economic growth. Part of the role of a Scottish Enterprise location director is to look at how they can work in CPPs to stimulate those conversations about actions on the ground and so on, and about how they can be flexible and fleet of foot with regard to what they might want to put in place. Every location director should raise the issue as part of the conversations that they have in CPPs.

Johann Lamont: Do you know whether they are doing that?

Jane Martin: I have not done an analysis but it is part of our mandate—it is part of what we are asked to do.

Johann Lamont: Thank you.

The Convener: Just before I bring in Patrick Harvie, I want to go back to a point that Johann Lamont made about working with the Scotland Office. When we heard evidence from the SCDI about its trade missions, it said that the missions would be led sometimes by Scottish Government ministers and sometimes by Scotland Office ministers. Now that SDI is taking the lead on trade missions, are you still involving Scotland Office ministers?

Neil Francis: I am not aware of any Scotland Office ministers leading a trade mission in the recent past. Across our partnership, we would be more than content for any of our partners to lead a trade mission. That is our general feeling on the subject.

The Convener: Nobody is being territorial and saying, “We don’t want you because you’re a Scotland Office minister.”

Neil Francis: Certainly from our perspective—you would have seen this in Saudi Arabia in the UKTI and SDI joint missions—we want to ensure that whoever is leading the mission is best placed to capitalise on the opportunity and support the businesses.

The Convener: Okay, thanks.

Chic Brodie: Looking at the SE website last week, I saw that there were no multisector trade missions in the forward events plan. Can you clarify why that is? Also, can you clarify for me whether the BE Group, which is now handling missions for you, is headquartered in Scotland?

Neil Francis: On the first point, you are absolutely right. We do not have a forward calendar of cross-sector missions. Our recent experience of cross-sector missions has been that they are sometimes hard to recruit for and that the expectations of all the companies involved were not necessarily fully met. We have been reflecting on that and we are in the process of refocusing how we use those events.

We think that there are two areas in which the events can work well. One concerns support for first-time exporters to new markets, and the other concerns markets that have very different business environments, which all the companies who want to trade in them will have to deal with. With regard to the latter area, we are focusing on the fast-growing markets of China, India and the middle east. That is how we are going to proceed.

With regard to where the BE Group is headquartered, I am sorry, but I do not know.

Jane Martin: I do not have the details on me, but I do not think that the BE Group is headquartered in Scotland.

Chic Brodie: I do not think that it is, either, which is why I asked the question.

With regard to the explanation that Neil Francis has just given, I wondered if the reason why that has happened is that we have changed the whole arrangement. I am sure that you are driving the strategy and I am sure that the BE Group has an input in that regard. Far be it from me to suggest that there is a financial motive behind that, but I am sure that we can clarify that.

Dennis Robertson: I have a brief supplementary question—my apologies to Mr Harvie for keeping him waiting.

What incentive is there for the chambers of commerce, for example, to use SDI or UKTI when taking forward trade missions? From their perspective, why do they not just do it on their own, which would mean that they would have their branding in the sectoral area?

Jane Martin: Previously, the incentive would have been that the SCDI was funding it. It was a procurement arrangement.

Dennis Robertson: Yes, we know that with regard to the SCDI—

Jane Martin: To me honest, if individual chambers of commerce, the Scottish Chambers of Commerce network or the SCDI wanted to deliver their own missions, we would be delighted.

Dennis Robertson: But that is what they do.

The Convener: When we spoke to them, the chambers told us that they do their own missions. We asked them what involvement they had with SDI, and I think that the answer was none.

Dennis Robertson: That is right.

You are right to say that, previously, there was an arrangement with the SCDI. However, that is not there now.

Jane Martin: If the chambers are delivering their own missions, I would hope that they would see that, before and after a company goes into a market, there is an opportunity for them to ensure that their members get access to other levels of support at the appropriate time, and for us to work collaboratively on the outcome for that business. That would be the incentive.

Dennis Robertson: I am a bit concerned that you are using terms such as “hope”.

Neil Francis: The most important thing for me is how we can best support our companies to access the international opportunities that they have identified. Our approach is to work with UKTI and see where it is taking missions and exhibitions so that we do not duplicate effort but, instead, support our companies to access those initiatives. We would take the same approach with other organisations.

We want—I will not say “hope”—to have that single calendar of trade missions for Scotland-based companies. What is important is not who runs our trade missions but that our trade missions are strong, have the involvement of the right companies and can make an impact.

11:15

Patrick Harvie (Glasgow) (Green): I apologise to the committee and the witnesses for being a few minutes late at the start of the meeting.

The witnesses have talked about increasing the number of Scottish businesses that export and expanding the contribution that those businesses make to growth. One of the things that Green politicians bang on about endlessly and bore our colleagues to tears with is the importance of the character of economic activity as opposed to the amount of it. I want to ask some questions about the issues that a newly internationalising Scottish business may encounter for the first time and how your organisations engage with companies on such issues.

There will obviously be issues around legal compliance in different jurisdictions. Beyond legality, there is a wider ethical context. Mr Francis mentioned China, India and the middle east, which are all areas in relation to which there are serious concerns about issues such as human rights, labour standards in the supply chain and discrimination, including illegal discrimination. An employee who was sent to one of those areas to explore emerging business opportunities could face levels of discrimination that were not just uncomfortable but positively unsafe.

There is also an environmental aspect to those concerns. As the SCDI wrote in one of its documents, we need to remember that, as the burden on the planet's resources peaks,

"Pressure on the global commons, from emissions to water scarcity, will increase".

In discussing that with the SCDI at a previous meeting, I was reminded how easy it is to express such concerns in writing and how difficult it is to follow through and address them in practice.

What practical steps do your organisations take to proactively engage with and encourage businesses to be very conscious of the ethical dimensions that they will encounter as they begin to internationalise?

Jane Martin: Before we take companies to market, we have sessions at which we look at human rights and legalities, on which the FCO has a lot of good advice. We share that advice and we have people in the market who work with companies before and during the internationalisation process. Members who went to Saudi Arabia will have seen some of that.

Neil Francis: It is an extremely important area. We need to continue to build the expertise of our staff so that they can properly advise companies. Part of our approach for the three markets that you mentioned, Mr Harvie, is to have market desks based in Scotland. The staff on those desks will

have a deeper knowledge of the business environment and some of the issues that you alluded to. It is important that we build that expertise in our staff so that they can have conversations with businesses about those matters.

As you will know, the UK's position is all about implementing fully the United Nations guiding principles on business and human rights, which we proactively support. Beyond that, in all the support that we give to companies—whether internationally or otherwise—we expect people to reflect the ethical and moral position that we are developing as a country in relation to the issues to which you refer.

Patrick Harvie: Could you give me an example of a form of economic activity that you would not be keen to support if, for example, it did not meet our domestic environmental standards but met someone else's lower standards?

Neil Francis: No—not off the top of my head.

Patrick Harvie: I am not hugely surprised. I again reflect on the experience with the SCDI, which was that although an organisation's words can sound strong on paper, it does not always follow through with action.

Jane Martin: Across all the business support activities that we do, we aim to comply with Government policy and legality but, from a broader perspective, we tend not to take moral and ethical stances.

Patrick Harvie: You tend not take a moral or ethical stance.

Jane Martin: Yes—we would take into account political policy and a legal stance in determining what we would invest in.

Patrick Harvie: Is it reasonable for an organisation that is engaging with those issues on behalf of all of us as a society simply not to take an ethical stand?

Jane Martin: We would take an ethical stance where it was Government policy to do so.

Patrick Harvie: That is kind of rare as well, is it not?

Jane Martin: Such an approach would make it difficult for us to take decisions, because one person might think that something is a good opportunity whereas someone else might disagree. You are absolutely correct that it becomes very difficult to embed that across all our investment decisions.

Patrick Harvie: Mr Warrington, do you have anything to add on that?

Guy Warrington: A lot of people travel overseas and do trade work without ever having contact with the British Government. That is just a fact of life and it will happen. If someone participates in a UKTI trade mission or gets a briefing at a British embassy on trade matters, we will discuss certain things with them. We will always discuss bribery and corruption and, as has been mentioned, human rights.

Patrick Harvie: I will give an example of something that is perhaps less difficult to deal with. When an organisation or company is sending employees to a new market that it is getting involved in and those employees might not be safe on the grounds of their religion, sexuality, gender or disability, what kind of support do you give to address those points?

Guy Warrington: That is a consular issue and slightly falls into a different part of the organisation. I can speak only unofficially on behalf of the FCO and the consular service—I am here to speak for UKTI—but we advise companies on such issues. The FCO would do that as a consular issue rather than UKTI doing it as a trade issue.

Patrick Harvie: Your approach is not to encourage companies to consider such issues ahead of time; you simply expect the consular service to engage with individual cases as they arise.

Guy Warrington: It depends on what you mean by “ahead of time”. If a company is thinking of investing in a country and sending large numbers of people there, we would discuss with it the full range of consular issues around that. Those might be to do with gender or sexual orientation—there are countries where those are real issues—or about personal safety and security. We would discuss the whole range of issues. However, that is not automatic. The discussion would happen only if we had an interface with that company.

Jane Martin: We would always seek FCO advice if we were taking a mission to a country where there might be security risks, for example. In fact, we tend not to do such missions, but we would always seek advice from the FCO before going out to market.

The Convener: I am conscious of the time, and three members still want to come in. We will try to get through them if we can.

Richard Lyle (Central Scotland) (SNP): SDI is a joint venture that includes the Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, the business gateway, TalentScotland and so on. Mr Francis, your budget is £35.1 million, which is up from £26.6 million in 2010-11. You have done a lot of good work: you have worked with more than 2,700 companies

accessing international markets, which is a 29 per cent increase on the previous year. In cash terms, your figures have gone up by 32 per cent. Are you giving value for money? What is your view on the comment in the Wilson review that we should have an export Scotland rather than a collective involving all the bodies that I mentioned?

Neil Francis: I think that we deliver value for money. We have strong evidence on our performance and value for money. In looking at value for money, we need to take into account the scale of the challenge that we are trying to address. We mentioned earlier the long-term nature of improving the total number of exporters not simply from Scotland but from the UK and how that requires persistence, passion and determination. We are strongly focused on that, but it will take resources, so we need to develop the appropriate level of resources to do it.

As Jane Martin has said several times today, if other partners are in a position to deliver things, and if a market failure has corrected itself and the private sector is stepping in to deliver without any further support from the public sector, that is a very positive outcome from our perspective. I hope that that answers your first question.

Richard Lyle: I will come back to the point about an export Scotland brand in a moment. You mentioned resources. SDI has nearly 30 offices and 260 staff, whereas UKTI has 160 offices and 1,200 staff. I believe that you are working together, and I am not trying to imply that there is a big brother mentality, but is there a case for more resources?

I have been on a trade mission to Taiwan, which was paid for by the Taiwanese Government, where I met one of your excellent operatives—

Neil Francis: Reggie Wu.

Richard Lyle: Yes—Reggie Wu. With the greatest respect, he was suggesting that there were not enough staff like him around, trying to capture the market. You have a lot of people doing a lot of good work, but perhaps we should have more people located in some of the UKTI offices or the embassies. Although there are good markets in China, India and America, we should not concentrate only on those areas, as there are other opportunities out there. Are we capturing those opportunities?

Neil Francis: I have two answers to your question. We have 29 offices in 18 countries, and we select our offices based on the analysis—which I mentioned earlier—of our sector priorities and the market opportunities. We put the resources that we have into the areas in which we think that we can get the best return for our companies. It is clear that there are opportunities for our companies in many other markets, and we

rely on, and get, the support that is required from the offices in the UKTI network across 150-odd countries.

You asked whether we have the right level of Scottish resources internationally. That is an open question. We could always do with more, but our principal job is to ensure that we get the best value and the best return for the resources that we have.

Richard Lyle: What do you think about Brian Wilson's comment that we should have an export Scotland brand?

Neil Francis: Going back to the points that have been made, I would say that the question is what we are trying to overcome. For example, we have discussed the issue of access to services. Although we can always do a better job with our partners, there is strong evidence to show that customers are getting access to the right services from the right organisation at the right time.

I am not sure whether Brian Wilson was talking about an internal or an external brand. It is clear to us that we need a clear international narrative about what Scotland stands for. The narrative that is based on the premium nature, provenance and integrity of Scottish goods is working well in the marketplace. I am not sure whether that answers your question.

Jane Martin: We have worked very hard over the past few years to build up the SDI brand in Scotland as that vehicle. If there was an opportunity to accelerate alignment and make things much easier by having all of us, including the chambers of commerce, delivering under the brand of export Scotland, I would be open to that. As Neil Francis said, the question is what the most effective approach will be. I do not think that a single organisation called export Scotland would be the right approach, because we need the partnerships, and everybody working together and collaborating to achieve the impacts that we want to see and the various ambitions that we have.

Richard Lyle: Lastly, we have heard about people getting together and nobody being the chairman. Mr Francis, who is your immediate boss?

Neil Francis: Anne MacColl, the chief executive of SDI.

Richard Lyle: Thank you.

The Convener: We are at the end of our time, but I promised Gordon MacDonald that I would let him back in, so I will. I offer my apologies to Lewis Macdonald and Chic Brodie, but I do not think that we have time for any more questions.

11:30

Gordon MacDonald: As we agreed at the start of the meeting, I wanted to ask some questions on the smart exporter programme, but I have cut them down to just a couple of questions.

First, Neil Francis helpfully highlighted at the beginning the number of companies that have had some form of support from SDI, UKTI or both. From memory, I think that it was just under 5,000 companies. What was your target for the number of companies that you wanted to support when the smart exporter programme was launched? How many companies of the 5,000 that have been supported have gone on to be active exporters?

Neil Francis: There are two points in that respect. Our targets do not tend to relate to specific programmes, but Scotland's trade and investment strategy, which was launched in 2010, referred to a target of 8,000 to 10,000 companies. With one more year of the strategy left, the number will be just over the 8,000 mark at the end of March, when we close out the performance, so we are in the target range with one year to go.

On your question about companies moving along, I described the phases of the journey that companies go through. We do not have information on how many of them have become exporters, but we will track that through and analyse the results.

The smart exporter programme was funded jointly with the European social fund. Its focus was on skills, and on building capacity and capability, rather than specifically on achieving new exporters. One of the learning points that we have taken on board in launching our new programme is that we are focusing very much on achieving new exporters. That is one of the big changes that we have made.

Gordon MacDonald: My last question is on the new programme that you have just launched. You have explained some of the differences, but what will be the measure of success for that programme?

Neil Francis: It will be the number of new exporters—how many companies we have taken forward. There are some technical points—we refer to new or passive companies, which currently have zero international sales or less than 15 per cent of their total revenues from international sales. Our target is to increase the number of companies that are exporting—

Gordon MacDonald: By how much?

Neil Francis: I will confirm that in writing in due course. I think that the target is 400 a year, but I might be completely wrong. Can I please confirm that later, convener?

The Convener: Okay. I apologise to the other two members who wanted to come back in, but we will have to end the session now, as there is a lot of other business for us to get through this morning. I thank you all for coming. The session has been very useful, and we are grateful to you for your time.

11:33

Meeting suspended.

11:38

On resuming—

The Convener: I welcome James Withers, who is chief executive of Scotland Food & Drink. Thank you for joining us, James. I think that you heard most of the evidence from the previous panel. As you are the leader of an industry group that is very focused on exporting, the committee is interested in hearing your take on the relationship between UKTI and SDI, which we heard a lot about from the previous panel. It is clear that there is an ambition to have collaborative working, and we have heard that a lot is being done to try to ensure that there is a seamless offer to Scottish companies, but what is your perspective on how that works in practice?

James Withers (Scotland Food & Drink): It is probably a mixed bag, to be honest. We can think about the collaboration that exists here and the collaboration out in the field, in overseas markets. I have seen it work really well in overseas markets. When we were in India a year and a half ago, the UKTI team, the SDI team and the Delhi embassy worked effectively as one team.

On the position here, I think that, if we asked our members, they would say that things are better.

The Convener: Do you mean better than they were?

James Withers: Yes. There is definitely an upward trajectory. The principle of SDI being the lead delivery vehicle for trade and investment in Scotland is the right one, but we are not there yet. We see UKTI-delivered events happening in Scotland. Interestingly, I got an email this morning inviting me to encourage Scottish companies to take part in a webinar about how they can use the British brand to increase their traction in international markets, which is not quite where we are in terms of the Scottish approach. There are still bits of friction.

Back in 2012, we had a joint SDI and Scotland Food & Drink trade mission, and then UKTI decided to organise one at the same time, going to the same market and asking the same companies. However, that was three years ago. I do not think

that that would happen now, because there is a lot more joined-up discussion about the operating plans.

It was not an issue, say, five years ago because, to be honest, I do not think that UKTI was very interested in food and drink at that time. Food and drink have now become a bigger priority for UKTI, so it has jumped into the area. Initially there was some duplication, but that is lessening as greater understanding has developed. It is not a perfect story yet, but the duplication is lessening.

The answer is that SDI should be the face of the delivery of activity here, working in partnership with industry organisations, rather than UKTI.

The Convener: Earlier, we discussed trade missions. What is your or your members' sense of the offer that is available from trade missions? SDI tends to organise sectorally focused trade missions. We heard in previous evidence sessions that SCDI, which previously organised trade missions under some arrangement with UKTI, is no longer doing that. Scottish Chambers of Commerce told us that it organises trade missions independently of SDI and other organisations. What is your experience of trade missions?

James Withers: Trade missions are critical. There is no doubt that they make a huge impact. It is difficult to put a price on the value of having companies getting out of Scotland and seeing the market. We have seen two big benefits from trade missions. The first is an increase in exports, and the second, which is probably more important, is the development of a new culture of collaboration between the companies that go on them together. For food and drink, that is really important.

Lots of folk do trade missions. You mentioned SCDI and others. We work with the likes of Santander, which does its own trade missions. Private sector banks, lawyers and accountants all do trade missions as well.

We have tried to be really focused and we just work through SDI—it is the partner that we use. However, the ways of working have changed. As an industry leadership body, we have tried to say, "Based on research, these are the markets we're interested in." We now have a single strategy that covers what those markets are and what we want to do, and the next phase, which is being finalised, is to have a single annual operating plan. We will have a clear plan each year that states the set of trade missions and shows that we will go to and when we will bring inward missions of buyers to Scotland—which is proving to be more valuable than just having companies going out—and that will become the focus.

The Convener: I get the impression from what you have said that there is still too much duplication in what is on offer. Is that your view?

James Withers: To be honest, I would not point the finger of blame for a lot of that duplication at the public sector. Industry and the private sector are also pretty disorganised around trade missions. We have banks, law firms and accountancy bodies all trying to do trade missions as well. We have taken the approach that, if another private sector organisation is doing a trade mission, it can give us the details, but we are going to work through a clear set of trade missions with SDI.

I mentioned the China and Japan example, where both UKTI and SDI were doing trade missions at the same time, in the same place, looking for the same companies, but I have not seen that repeated in the past two years and I do not think that it would happen now.

The Convener: Thank you.

Dennis Robertson: Eighty-one per cent of your funding comes from your members in the private sector and 19 per cent comes from Scottish Enterprise. If there was a shortfall from your members in the private sector, would Scottish Enterprise meet that shortfall?

11:45

James Withers: That is an interesting question. It might be worth reflecting on the journey that we have been on. We were pump-primed by Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Government, so that 80:20 ratio was completely the other way round back in 2007 when we were set up. The public sector took a leap of faith into this industry leadership model and said, "We're going to support this, but if you're worth your salt and you are delivering, the industry should pay for you." We have been on a journey of increasing private sector income, and we have gone from a position of being 80 per cent public sector funded to being 80 per cent private sector funded.

Why is that important to us? It is because we are an industry-led body, and having companies that pay us a voluntary membership keeps us real. If we are not delivering for the industry, it will not pay to support us and we will not continue.

If there was a shortfall now, I am not sure that the Government would meet it, and I am not sure that it should. However, we are about to move into a new public sector funding partnership with Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Government, which will provide an increase in funding for our industry co-ordination and leadership work. At the same time, we are going to try to build up our private sector income.

Dennis Robertson: Whisky obviously accounts for a huge percentage of the export market—about 80 per cent, I think. How influential are the SMEs within your membership in moving forward and strategic planning?

James Withers: They are critical. I heard the other evidence session, when questions were asked about the account management process. Although I acknowledge the point that was made about it not being based only on turnover and growth, the reality is that most of the roughly 200 account managed food and drink companies are large-scale companies. We see ourselves as needing to engage with the SME end of the spectrum. Eighty per cent of food and drink companies operating in Scotland employ fewer than 10 people, so even before the S of SME, at a really early stage, engaging with those companies and giving them a voice in what the structure looks like is critical.

Increasingly, the answer to the scale question—we need scale for exports, but not scale achieved by big companies swallowing up small companies, or even smaller companies merging into one larger company—is the collaboration approach. We need to ask how we can take 18 small food and drink producers in Argyll and the Highlands and Islands and have them working collectively to share shipping containers or to share business development managers overseas. That kind of collaboration is key, so the SMEs are the bread and butter of the industry.

Dennis Robertson: You are talking about microcompanies—companies that are smaller than small. Some of them have the potential to go into the export market. How do you nurture that at the moment?

James Withers: If we went back three or four years, it was about ambition, so it was about smaller companies thinking beyond just their local market, which was their bread and butter and will remain the foundation of their business for a while. The battle to get smaller companies to be ambitious has been won, I would say, and won with enough—

Dennis Robertson: Not according to SDI's evidence. It said that it is really difficult to get that ambition, and that it is hard work.

James Withers: My perspective is that the battle has been won with enough food and drink companies to work with them. If we won it with another 500 companies, we would have a body that is almost too big to work with. Arran is often used as an example. There are 11 or 12 producers who have formed Taste of Arran and are now selling cheese at the Burj Al Arab in Dubai and elsewhere. Neil Francis referred to a

collaborative export pilot that SDI has led, taking 80 or 90 companies through a UK consolidator.

There are 12 companies flying back from the seafood show in Boston just now, and there will be another 15 going to Hong Kong in May. Most of them are SMEs such as small craft brewers and rape seed oil producers. We are clear that, if you want mass volume production at a low cost, you should not come to us, but if you want artisan quality and a good strong brand that is built around provenance, that is what we can do. For us, it is a case of small is beautiful when it comes to the brand.

Dennis Robertson: That is excellent—thank you very much.

Lewis Macdonald: I was interested in the discussion in the previous evidence session when the issue of cross-sectoral work was explored a little bit. We heard clearly from SDI that its focus is on single-sector work. Does your promotional work in trade missions and elsewhere cover the whole of the food and drink area or do you focus on sub-sectors? For example, salmon, whisky and other exported goods clearly have different markets, but they also sometimes share markets.

James Withers: Yes, they do. I stress that our export strategy is not a whisky strategy—that sector has been there and done that, so we are working with it in a different way; rather, it is about non-whisky drinks and food. The driving principle is about where the cross-sectoral opportunity is.

We have identified 15 markets. The top seven, which are where new specialists are being put on the ground with funding from industry, SDI and the Scottish Government, are about that cross-sectoral opportunity. We have spent the guts of a year identifying what those markets should be. That was about where the ambition and the opportunity for red meat crossed over with bakery, salmon and seafood. It is very much a cross-sectoral push.

Monday night's reception in Boston is a seafood show. However, there will be craft beer and other products there. Our way of working is that, if my counterpart at Seafood Scotland is at an event, he will also wear a red-meat hat and a bakery hat, so to speak. The next phase for us will be to think cross-sectorally beyond food and drink and to consider where our ambitions cut across tourism, textiles, life science and elsewhere.

Lewis Macdonald: In a sense, that was my next question. If that is how you work and it makes sense to have different products and for different companies to work together in a strategic approach, is there a point at which SDI's insistence on a sectoral approach could get in the way? If that were to happen, would you then look

to a chamber of commerce or some other partner to promote a range of products?

James Withers: We have demanded a strong sectoral approach. We have tried to pull together industry, so that we can decide on and be clear about the key priorities, rather than asking for 100 different things.

Historically, SDI has been an organisation of generalists. Although general practitioners are fine, sometimes you need consultants. We have been keen to have food and drink specialists who know the sector because we have seen the Irish, the New Zealanders and the Scandinavians take that approach for years and we know that it works.

We have demanded a greater specialism and, to its credit, SDI has responded to that. However, the next phase will be to look at where the cross-sectoral bit comes in. We know that the markets that we are trying to sell food and drink products to are the same markets that VisitScotland and the Scottish Tourism Alliance are trying to attract visitors from and the same markets that overseas students are coming from. Whether that is done by team Scotland, one Scotland or whatever the phrase may be, the idea of cross-sectoral working is what the next phase of our journey looks like.

Lewis Macdonald: I appreciate that that is the next phase, but what might it look like? Given your strong support for a sectoral approach, how do you get beyond that to the point at which you are ready to move on?

James Withers: There are probably two parts to that. One part is operational. If we are with SDI at Gulfood, the big food and drink show in Dubai, and VisitScotland is thinking about a promotion in the Mall of the Emirates to encourage visitors from the middle east, we would do that at the same time.

The other part is about looking at physical presences. For example, in New Zealand house in Shanghai, New Zealand has its consulate—its embassy as I would understand it. It also has, in effect, a business embassy. That place is a showcase for its tourism, food and drink and further education sectors. I know that SDI and Scottish Enterprise are looking at that approach. I would like to think that, if we are careful about which markets we choose, we could consider a physical presence, too, which could be a hub for businesses to use, as well as a showcase and a place where we bring buyers.

Gordon MacDonald: Last year, the Scotch whisky industry saw its value and volume of exports fall. How is the rest of the food and drink sector doing? Is it achieving its targets? Does it require additional support to achieve its targets?

James Withers: The drinks sector went down by about £300 million according to the latest 2014 figures, which came out three weeks ago. Food was up by 3.5 per cent, which was about the same as the average UK level.

The view of those in the whisky sector is that that was a blip along the road, and my sense is that they are right. The trajectory for food is still upward, although that is from a lower base. As Dennis Robertson mentioned, 78 per cent of the £5.1 billion of food and drink that we exported last year was whisky. Food has gone from £700 million to £1.1 billion, which is up by 52 or 53 per cent. Our ambition is to double that over a decade—we want to hit £1.4 billion in food exports.

To answer your question, we felt that we needed more support, and that was the principle behind putting the new strategy in place. We also felt that industry should probably have some skin in the game. Rather than just saying, “We want to do this,” and asking the Government to pay for it, a number of industry bodies—five of us—have put around £400,000 on the table, match funded by SDI, with the Government putting in the gap funding for the new specialists. We felt that that support was required.

At the moment, there is no more beyond that, because that initiative is just getting going. Four of the new specialists have been recruited, and another four should be in place in the next few months. I am comfortable that that is what we need at the moment. The priority will be to ensure that those specialists are run off their feet—in other words, that enough companies in Scotland are demanding their services and going out to market.

Gordon MacDonald: What works well in the support that you get from SDI and UKTI? What needs improvement?

James Withers: I will comment on SDI. UKTI is a much more mysterious beast to me; we have very little contact with it. That is probably as much about us not seeking it out as it is about UKTI not seeking us out. We work through SDI.

What support works well? The specialists could have a transformational impact. What works well in the markets concerned is the hiring in of local knowledge. Plenty of people in SDI understand Scotland and the food and drink industry, but we need the person in Hong Kong, Shanghai or Singapore to bring in local market knowledge and understand the distributive framework. We need more of that, and we have historically been weak on that. The US is a good example of where our relationships in the market have been weaker. However, I think that that will strengthen now, with the new specialists and a restructuring of the SDI team there.

What works well here? It is a matter of understanding where companies are on the customer journey and being flexible about that. The size of a company should no longer determine whether it is account managed or in the smart exporter programme. We need to be more flexible about that.

Another thing that will have to change is that the enterprise agencies will have to learn—as I think they recognise—how to manage collaborations of groups of companies. It is easy to account manage a company; it is a bit more complex to account manage a collaboration of companies. We will have to learn how to do that in Scotland, given the SME base.

I heard discussion earlier about the one-door, any-door or one-stop-shop idea. We have tried to do that with food and drink. There is a single phone number and email address for any food and drink company that is interested in exports. However, there is always more work to do to get people to the right answer.

Gordon MacDonald: You mentioned the importance of understanding local markets and having local knowledge. What engagement have you had with the globalscot network? How successful has that been?

James Withers: That is a mixed bag. There are a lot of global Scots—I think that there are 600 to 700 of them. We need to be clear about what we are asking of them, so that, when they carry a globalscot card, that has an element of pride and importance.

I am interested in the 30 of them who could really do something for food and drink, as opposed to the other 670, say, who might not. The individuals concerned might not be in the food and drink sector, but they might be in a market that is important to us. We can use that asset more than we have before. There are good examples of how the Irish and New Zealand models use that approach well. That is an important component.

Because we, SDI and the industry all have limited resources, we need to use the much broader network. Scotland has the most amazing expat community and we really need to use it.

Richard Lyle: Has any of your companies ever complained that SDI has not given it the help that it wanted?

12:00

James Withers: Yes. We have 350 members, and I have not come across a sector that does not have folk who complain about SDI or anyone else. We have had complaints about SDI.

It is fair to say that the general picture is that a huge value is attached to the SDI resource. From an industry point of view, the job is to help it to deliver better. Our view is that it is our responsibility to set the framework, rather than to sit and say, "You should be doing that and you're not doing that. This is our complaint about where you are failing." We ask the public sector to align behind that so that there is industry leadership and public sector alignment.

Our criticisms have been that there is not enough specialism and that we are not good enough in the US, and we have given our view on what can be done. We are willing to help to fund that, if we can, and there has been a reaction to that. The general picture is good, but there is the odd complaint here and there.

Richard Lyle: If one of your companies complained to you, could you phone Neil Francis and say that you wanted to have a meeting tomorrow because Joe Bloggs's company had phoned about something? How soon would you get that meeting?

James Withers: I do not have a single complaint about access. We probably would not meet; rather, we would talk on the phone and get one of SDI's Glasgow team to speak to the company involved, or I would speak directly to the field officer.

Richard Lyle: So you would get instant access and your problem would be solved if somebody complained.

James Withers: The problem would be addressed.

Richard Lyle: It would be addressed, but maybe not solved—okay.

James Withers: Yes. There is willingness to do that. I have no complaints about that at all.

Richard Lyle: We all live in the real world.

James Withers: Indeed.

Richard Lyle: What do you think about Brian Wilson's view on setting up an export Scotland brand, as in the old Board of Trade situation? That was a bit before your time.

James Withers: We have looked at the Irish model and Bord Bia, which is a single food board. In Scotland, we have a seafood body, a red-meat body, a bakery body, different enterprise agencies in different parts of the country and a trade investment arm. I am not a fan of the Irish model, because it is a purely public sector solution. It is quango led, whereas what we do or should do in Scotland is about industry leadership.

To be honest, I am less excited about big structural change than I am about getting those in

the existing structure to work well together. My limited experience of structural change is that two years are lost with everyone defending the structure that they are in as opposed to doing things.

I am much more interested in how we get the existing agencies to work better. I have looked at the export Scotland idea, which is interesting, but I am not sure that it looks like a solution to the problem that we have in Scotland.

Richard Lyle: So we should get on with what we are good at.

James Withers: Yes.

Chic Brodie: Good afternoon. The first thing that I want to say is hallelujah. At least we have somebody with success who is clear about what we should have, which is an industry-led set of organisations. Where does the Government get in the way of what you want to do?

James Withers: We hit hurdles if the old culture comes back—if the Government has an idea, decides to do something, bashes on and creates something new without recognising that we are developing a new relationship with industry leadership. There can be a brainstorming session, and the enterprise agency can decide that there is a particular gap and say, "Let's run off and do it," without understanding what is happening in the round and whether industry wants it.

Since devolution, my experience has been that the level of accessibility and the ability to think of the public sector as a partner rather than something that needs to be lobbied have been completely transformed. That has been a journey, and it has taken a while for us to get there. The Government will undoubtedly get in the way at times, and I have no doubt that it will say that industry will get in its way, but we now have the ability to be honest about where that happens and to address it. There will be examples of that happening, but I am confident that there is now a framework in which we can generally address that.

Chic Brodie: You used the example of New Zealand house and of other industry-led organisations, such as the Scottish Tourism Alliance. I became a bit concerned when you said that you would look at spreading the sectors that are covered. Is there a lack of clarity in the roles of Scottish Enterprise, HIE and SDI as facilitators, part-funders and operational units? You talk about selling. Government should not be selling—you guys know the sectors.

You say that the agencies do not understand. Do they understand the roles? Are the roles specified properly? We have seen what has happened in other organisations, such as SCDI. To be frank, pulling industries together is what

works. Expertise has to be centred on a particular sector and industry.

James Withers: Those questions are really interesting and I am not sure that I know the answers. Suffice it to say that it is important that enterprise agencies see themselves as enablers. Their job, and to some extent industry leadership bodies' job, is to create the best possible operating environment—not to do the doing but to create the environment in which companies can flourish. It is the companies' responsibility to do the delivery—the selling.

It is important that the enterprise agencies and SDI do not box themselves in too much with the view that they do not do commercial activity. For example, a company had a big exhibition at the show in Dubai. It was the first time that it had been there, and loads of people were looking to buy its products, but it did not have a distributor—someone to make the connection between the buyer at one end and the company at the other, to bring the product in. Partly because of good resource, UKTI was able to give the company a list of five distributors that it knew well, which had worked with other companies and had a track record. That was dynamite for the company.

SDI's view at the time was, "Oh, we don't get involved in that. You need to find a distributor yourself, as it's a commercial relationship." Sometimes blurring the line can be quite important. When a line is drawn, someone will step over it and get in trouble for it, but the risk is worth it.

The new specialists need to do a bit more of that. They need to be able to work with companies that are new to the market, which desperately need confidence to be able to operate and which have heard probably 100 scare stories about companies getting the wrong partner. There is a clear view that enterprise agencies set the operating environment, after which it is companies' responsibility to take advantage, but blurring the line occasionally can be of merit.

Chic Brodie: We discussed the consolidation of products for export. If we leave the big guys aside, how successfully is your sector doing that?

James Withers: It is getting better, but there is more to do. We are better at that in the UK. For companies that are trying to get into the London market, consolidators will pull products together into one van. One of our responsibilities is to put companies in touch with each other. We help with small logistics in circumstances such as when someone has a delivery and the van is coming back empty.

The big step is to think about such activity for exports. The collaborative export pilot has been a bit of a brave new world and has got together 18

companies that represent the craft beer, jam, seafood and other sectors. None of those companies could fill a shipping container itself, so we need to bring them together. Using a UK consolidator allows those companies to sell their product in the UK—it is still a UK sale for them, with UK currency and regulations. The consolidator uses its greater scale to do the onward shipment and it manages the relationship with the onward buyer.

The model has been tried and we have learned things. Some distributors will work with some sectors and not others, and companies need to split ambient and frozen products—there are practical things such as that. That model will work really well, but it is early days.

The Convener: My question is on a slightly different tack—it is about the year of food and drink Scotland 2015. I know that this is the year of food and drink Scotland, but I know that because I am on the committee and take an interest in these things. I suspect that, if I was just a member of the public, I would not have a clue and I would not have heard about the year of food and drink Scotland. What exactly are we doing to promote it?

James Withers: It is one of the tourism themed years and is VisitScotland's focus for this year. This is the second year of food and drink; the first was 2009 or 2010, and we were told in March of that year that it was the year of food and drink. Last September, we were told that this year would be the year of food and drink, so comparatively speaking we are ahead of the game.

If you were involved in youth employment or the youth agenda you would be excited, because you would know that Scotland's year of young people is 2018—there is plenty of time to plan. Food and drink tends to be one of the first things, because it is felt that it is the easiest thing to do.

How is the year of food and drink being promoted? I do not know whether anybody has seen VisitScotland's adverts; it is doing in-market and in-country work. It is working in markets from which it is trying to attract visitors, which means that work is probably going on in America and elsewhere that we will not see here.

As an industry, we decided that we needed to use the year of food and drink a bit better. We have worked with some major retailers on in-store branding to promote Scottish products. Unlike 2014, which was about big flagship events, this year is about having food and drink as an underlying theme in everything, from a small bed and breakfast to Wigtown book festival and various other events.

The activity is probably less visible. Is a perfect job being done on raising awareness? Probably

not. That said, a few years ago we would not even have thought about carrying off a year of food and drink, so I take a sort of glass-half-full approach to it. However, there is much more to do to engage the average Joe or Joanna in the street.

The Convener: I am interested in how we engage business. A few weeks ago, I visited a very customer-focused, high-end retail food business in Fife. It complained that, although it would like to adopt some of the branding for the year of food and drink, it has no information about it. There could have been an opportunity for it to brand its business and products with the year of food and drink 2015, but it has received nothing from VisitScotland or anyone else.

James Withers: The engagement is definitely patchy. To give you an example, we decided to create some industry themes for each of the 12 months—this is craft brewing and distilling month. A number of businesses have got involved in that in different ways; some brewers are brewing year of food and drink beers for this month. Some members will know Cranachan & Crowdie, which is on the other side of the Royal Mile. Every Thursday night, it is holding an in-store producer showcase for customers that is based on the theme.

Some really good stuff is happening. However, if you visited 10 companies, you would probably find that eight had heard of the year of food and drink but five did not have the materials.

The Convener: Thank you for coming along and giving us your input. It has been a fascinating session.

12:13

Meeting continued in private until 12:32.

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