



**PROCEEDINGS OF THE
4TH BUSINESS IN THE PARLIAMENT
CONFERENCE**

21st-22nd February, 2008

 **The Scottish Government**



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PROGRAMME

“Opportunity challenge – achieving sustainable economic growth”

Thursday 21st February, 2008

- 6.30pm Guests arrive
- 7.00pm *Drinks reception* – Hosted by Alex Fergusson MSP, Presiding Officer (Main Public Hall)
- 8.00pm *Dinner* (Garden Lobby)
- 10.00pm Close

Friday 22nd February, 2008

- 8.15am Arrival and registration *with refreshments and a light breakfast*
- 9.00am **Welcome** – Alex Fergusson MSP, Presiding Officer (Debating Chamber)
- 9.10am **Opening Address** - The First Minister, The Rt. Hon Alex Salmond MP MSP
- 9.20am **Views from the Committee** - Tavish Scott MSP, Convener of the Economy, Energy and Tourism Committee
- 9.30am **Views from the business community**
- Ian Marchant, Chief Executive, Scottish and Southern Energy and chair of the Climate Change Business Delivery Group
 - Susan Rice, Chief Executive, Lloyds TSB Scotland
 - Professor John Kay, visiting professor at the London School of Economics and member of the Council of Economic Advisers
- 10.20am **Discussion Sessions** (Committee Rooms)
- 12.20pm **Feedback and Open Forum** (Debating Chamber)
- 1.15pm **Closing speech** – John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth
- 1.30pm **Closing Remarks** - Alex Fergusson MSP, Presiding Officer

Discussion Sessions

Session	Minister/MSP host	Chair
1 – “Achieving sustainable economic growth in the life sciences and biotechnology industries” Committee Room 6	Fiona Hyslop MSP, Cabinet Secretary for Education and Lifelong Learning	John Brown, Chairman, Scottish Biomedical
2 – “Achieving sustainable economic growth in the energy industry” Committee Room 1	Jim Mather MSP, Minister for Enterprise, Energy and Tourism	Keith Mitchell, Clyde Blowers
3 – “Achieving sustainable economic growth in the financial industry” Committee Room 5	John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth	Owen Kelly, Chief Executive, Scottish Financial Enterprise
4 – “Achieving sustainable economic growth in the tourism, food and drinks industries” Committee Room 2	Tavish Scott MSP, Convener of the Economy, Energy and Tourism Committee and Maureen Watt MSP, Minister for Schools and Skills	Allan Burns, Chairman, Scotland Food and Drink
5 – “Achieving sustainable economic growth in the creative industries (including electronics markets, digital content and technologies)” TG20/21	Bruce Crawford MSP, Minister for Parliamentary Business	David Stewart, Chief Executive Officer, Critical Blue Ltd
6 – “A discussion on the proposed Climate Change (Scotland) Bill” Committee Room 3	Stewart Stevenson MSP, Minister for Transport, Infrastructure and Climate Change	David Sigsworth, Chair, Scottish Environment Protection Agency
7 – “Challenging management conventions in business and government, with practical presentations from two experts”: Mr Stuart Ross of Ross International and Mr John Seddon of Vanguard and visiting professor at the LERC, Cardiff University Committee Room 4	David Whitton MSP, Member of the Economy, Energy and Tourism Committee and Adam Ingram MSP, Minister for Children and Early Years	Not applicable

Further details on this and previous Business in the Parliament Conferences can be found on the BIPC website at:

<http://www.businessintheparliament.org.uk/>

ALPHABETICAL LIST OF DELEGATES WHO REGISTERED TO ATTEND THE 4TH BUSINESS IN THE PARLIAMENT CONFERENCE

Amjid	Akram	Institute of Asian Professionals
Sandy	Allan	Scottish Health Innovations Limited (SHIL)
Mark	Allatt	Shepherd and Wedderburn LLP
Rhona	Allison	Scottish Enterprise
Janet	Anderson	Scottish Parliament
Richard	Arnott	Scottish Government
Chris	Asensio	Enviros
Richard	Baker	Scottish Parliament
Claire	Baker	Scottish Parliament
Simon	Baker	British Energy
Bob	Baldry	Ocean Blue Consulting
Samantha	Barber	Scottish Business in the Community
Gillian	Barclay	Scottish Government
Bill	Bartlett	McCains Foods (GB) Ltd
George	Baxter	Scottish and Southern Energy
Fiona	Bayne	Shell Exploration and Production
Steven	Birrell	McDonalds Restaurants Ltd
Graham	Birse	Edinburgh Chamber of Commerce
Barbara	Blaney	Bioindustry Association
David	Bleiman	UCU
Liz	Bogje	Scottish Enterprise
Stephen	Boyd	STUC
Eddie	Brogan	Scottish Enterprise
John	Brown	Scottish Biomedical
Keith	Brown	Scottish Parliament
Robert	Brown	Scottish Parliament
Gavin	Brown	Scottish Parliament
John	Brown	Scottish Government
Janet	Brown	Scottish Qualifications Agency
John	Brown	Peebles High School
Derek	Brownlee	Scottish Parliament
Allan	Burns	Scotland Food and Drink
Paul	Burr	Biobest Laboratories Ltd
Rabinder	Buttar	ClinTec International
Alison	Caldecott	Scottish Government
Eileen	Calveley	FSB Scotland
Liz	Cameron	Scottish Chambers of Commerce
Ian	Cameron	Chemring
Rona	Campbell	CBI Scotland
Duncan	Cantor	HBOS plc
Jenny	Carter	Jenny Carter Communications
Edward	Chance	Oracle
Lesley	Cooper	Lomond Homes
Gordon	Cowan	gr8works
Bruce	Crawford	Scottish Government

Alison	Culpan	GlaxoSmithKline
Sandy	Cumming	Highlands and Islands Enterprise
John	Curran	Speymalt Whisky Distributors
Danny	Cusick	Scottish Enterprise
Graeme	Dalziel	Dunfermline Building Society
Mark	Dames	Scottish Government
Gareth	Davies	Aquatera
Brendan	Dick	BT Scotland
Rebecca	Diggle	Scottish Government
Sandy	Dobbie	Chemical Sciences Scotland
Anne	Douglas	Prospect
Bob	Downie	The Royal Yacht Britannia
Gordon	Downie	Shepherd and Wedderburn LLP
Murray	Duncan	FSB Perth and Kinross
Helen	Eadie	Scottish Parliament
Iain	Easingwood	Marine Quest
Carolyn	Elder	Largs Yacht Haven Ltd
Charlotte	Elmer	Scottish & Newcastle
Stephanie	Elsy	Serco
Ian	Evans	William Grant & Sons Distillers Ltd
Ian	Ewing	Sovereign
Linda	Fabiani	Scottish Government
David	Farrell	Railcare
Iain	Ferguson	CBI Scotland
Jim	Ferguson	The Castle Group
Alex	Fergusson	Scottish Parliament
Peter	Finnie	Scottish Environment Protection Agency
Joe	Fitzpatrick	Scottish Parliament
Peter	Ford	Scottish Government
Anne Marie	Forsyth	Customer Contact Association
George	Foulkes	Scottish Parliament
Murdo	Fraser	Scottish Parliament
Marion	Gallon	Scottish Government
Peter	Ghazal	University of Edinburgh Medical School
Archie	Gibson	Baxters Food Group
Adrian	Gillespie	Scottish Enterprise
Gary	Gillespie	Scottish Government
Malcolm	Gillies	Eskmills
Annabel	Goldie	Scottish Parliament
Charlie	Gordon	Scottish Parliament
Steve	Graham	Scottish Manufacturing Advisory Service
Gail	Grant	Scottish Parliament
Richard	Grant	BP
Iain	Gray	Scottish Parliament
Louise	Gray	Scottish Government
Douglas	Greig	Scottish Government
Russel	Griggs	CBI
James	Hair	Association of Businesses in Cupar and District

Sheila	Hamilton	Teknek
Robin	Harper	Scottish Parliament
Paul	Harris	University of Abertay Dundee
Chris	Harvie	Scottish Parliament
Andrew	Henderson	Scottish Government
Iain	Herbert	Scottish Tourism Forum
Jim	Houston	University of Dundee
Harriet	Hughes	DG Health, Scottish Government
Jim	Hume	Scottish Parliament
Jamie	Hume	Enterprise, Economy and Tourism, Scottish Government
Colin	Hunter	Waterfront Developments Ltd
Martin	Hunter	MH Training
David	Hutcheson	Glen Abbot Ltd
Fiona	Hyslop	Scottish Government
Stephen	Imrie	Scottish Parliament
Adam	Ingram	Scottish Government
Ian	Irvine	Sgurr Energy
Asif	Ishaq	Scottish Government
Cathy	Jamieson	Scottish Parliament
Peter	Jeal	District of Wigtown Chamber of Commerce
Tom	Johnston	Colliers CRE
John	Kay	London School of Economics and Member of the Council of Economic Advisers
John	Keenan	South Lanarkshire TUC
Adam	Kelliher	Equateq
Owen	Kelly	Scottish Financial Enterprise
Moyna	Kennedy	Scottish Enterprise
Neil	Kermode	The European Marine Energy Centre (EMEC) Ltd
Andy	Kerr	Scottish Parliament
Sid	Khan	KNK Ltd
Bob	Kinnaird	Cairngorm Mountain Ltd
Neil	Knowles	Pöyry Energy (Aberdeen)
Gillian	Kynoch	Albert Bartlett and Sons Ltd
Alastair	Lamont	WamCal Ltd
Peter	Lederer	VisitScotland
Bob	Leitch	Ayrshire Chamber of Commerce and Industry
Paul	Lewis	Scottish Enterprise
Craig	Lockart	BABCOCK Naval Services
David	Lonsdale	CBI Scotland
John	MacAskill	RITCHIE
Margo	MacDonald	Scottish Parliament
Graham	Maciver	Nu Arts
Hazel	Mackie	Scottish Enterprise
Ian	Marchant	Scottish and Southern Energy
Howard	Marriage	College of Medicine and Veterinary Medicine, University of Edinburgh
Paul	Martin	Scottish Parliament
John	Mason	DG Environment, Scottish Government
Jim	Mather	Scottish Government
Michael	Matheson	Scottish Parliament

Stewart	Maxwell	Scottish Government
Stewart	McAra	McAra Associates Ltd
Liam	McArthur	Scottish Parliament
Alan	McAskill	Talisman Energy
Paul	McBarron	Cyclacel Pharmaceuticals Inc
Raymond	McCandlish	MCA Homes
Jack	McConnell	Scottish Parliament
Andy	McDonald	Scottish Enterprise
Ken	McEwen	The PR Partnership (Scotland) Ltd
Margaret	McGinlay	Scottish Enterprise
David	McGinley	Babcock
Dave	McGrath	ReGenTech Ltd - Fuel Cell Power Solutions
Margaret	McGrath	Scottish Government
Alison	McInnes	Scottish Parliament
Arthur	McIvor	Scottish Parliamentary Business Exchange
Ian	McKay	Royal Mail
Ian	McKee	Scottish Parliament
Christina	McKelvie	Scottish Parliament
Norrie	McLean	Youngs Seafood
Nigel	McLeary	Scottish Social Enterprise Coalition
David	McLetchie	Scottish Parliament
Roger	McLure	Scottish Funding Council
Iain	McMillan	CBI Scotland
Helen	McNeill	Lloyds TSB Scotland
Pauline	McNeill	Scottish Parliament
Iain	McTaggart	SCDI
Graeme	Millar	Food Standards Agency
Nanette	Milne	Scottish Parliament
Keith	Mitchell	Clyde Blowers
Stephen	Mitchell	Teknek
Margaret	Mitchell	Scottish Parliament
Ian	Mitchell	Scottish Government
Eleanor	Mitchell	ITI Life Sciences
Debbie	Mitchell	Lomond Homes
Nosheena	Mobarik	M Computer Technologies
Jane	Morgan	Scottish Government
Kevin	Moroso	Scottish Government
Dave	Moxham	STUC
Kenneth	Muir	Stow College
John	Muir	JW Muir Group
Daniel	Muir	Forrester Partners
Mary	Mulligan	Scottish Parliament
Warren	Mundy	Infratil Airports Europe
David	Murray	Fethaland Tours (tourism business)
Elaine	Murray	Scottish Parliament
Alan	Murray	Standard Life
Adrian	Neville	Centreline Solutions
Brian	Nixon	Scottish Enterprise

Raymond	O'Hare	Microsoft Scotland
Gary	O'Rourke	G Tech Installations
Katy	Orr	Scottish Parliament
John	Park	Scottish Parliament
John	Paterson	Diageo
Jack	Perry	Scottish Enterprise
Polly	Purvis	ScotlandIS
Abdul	Quadar	National Federation of Retail Newsagents
Agneis	Quinn	Scottish Government
Lesley	Quirk	Scottish Chambers of Commerce
Norman	Quirk	Scottish Chambers of Commerce
John	Reekie	Scottish Enterprise
Kirsty	Regan	newsdirect
Karen	Reid	Urquhart Partnership
Alex	Reid	Scottish Government
Susan	Rice	Lloyds TSB Scotland
Emma	Ritch	Close the Gap (STUC Project)
Shona	Robison	Scottish Government
William	Roe	Highlands and Islands Enterprise
Brenda	Ross	Ross International
Gordon	Ross	Western Ferries
Ken	Ross	Elphinstone
Stuart	Ross	Ross International
Alastair	Ross	McGrigors
David	Ross	Glasgow Chamber of Commerce
Alex	Salmond	Scottish Government
Mike	Salter	Aberdeen and Grampian Chamber of Commerce
David	Sands	David Sands Ltd
Saftar	Sarwar	Barclays Wealth
Mary	Scanlon	Scottish Parliament
Tavish	Scott	Scottish Parliament
Helaine	Scott	Scotties Bed and Breakfast
Alan	Seath	Lomond Homes
Angela	Seath	Lomond Homes
John	Seddon	Vanguard
Steve	Shanta	Scottish Enterprise
David	Sigsworth	Scottish Environment Protection Agency
Richard	Sinclair	Lloyds TSB Scotland
Derek	Sinclair	Inver House Distillers
Sohan	Singh	Bombay Blues
Tony	Singh	Oloroso Restaurant
Linda	Smith	British Energy
Matt	Smith	UNISON
Grahame	Smith	STUC
Elizabeth	Smith	Scottish Parliament
Shirley-Anne	Somerville	Scottish Parliament
Walter	Speirs	Muckairn Mussels Ltd
Callum	Spreng	ProStrakan

Jennifer	Steedman	Scottish Government
David	Stein	David Stein Butchers Ltd
Nicol	Stephen	Scottish Parliament
Stewart	Stevenson	Scottish Government
David	Stewart	Critical Blue Ltd
Joanne	Stewart	Stewart Brewing
Jamie	Stone	Scottish Parliament
Niall	Stuart	SCDI
John	Sturrock	Core Solutions Group Ltd
John	Swinney	Scottish Government
Peter	Taylor	Town House Company
Patsy	Telford	Turning Point Scotland
Dave	Thompson	Scottish Parliament
Alan	Thornburrow	Scottish Investment Operations
Billy	Tosh	Bakehouse Ltd
Tom	Tumilty	Scottish Government
David	Urquhart	David Urquhart (Travel) Ltd
David	Venables	Intercell
Graeme	Waddell	Rolls Royce
Alan	Walker	Prostrakan
David	Wallace	Managing Director, Response
Sir John	Ward	Scottish Enterprise
Neville	Washington	Harvey Nash
Andrew	Watson	FSB Scotland
Maureen	Watt	Scottish Government
David	Watt	IoD Scotland
David	Webster	Castleton House Hotel
Paul	White	Graham Technology PLC
David	Whitton	Scottish Parliament
Christopher	Wilkins	North British Windpower Ltd
Tim	Williams	Millstream Associates Limited
Tracey	Williams	DG Health, Scottish Government
Andy	Willox	FSB Scotland
David	Wilson	Scottish Government
Kevin	Wilson	Medical Devices in Scotland
Philip	Wright	Scottish Government
Andrew	Wright	Long Life Solutions
Stuart	Young	The Property Log Book Company
Douglas	Yule	Highlands and Islands Enterprise
Casia	Zajac	Inverness Chamber of Commerce

NOTES OF THE DISCUSSION SESSIONS

As part of this year's Business in the Parliament Conference, seven discussion groups were held for delegates on the following themes:

- 1 – “Achieving sustainable economic growth in the life sciences and biotechnology industries”
- 2 – “Achieving sustainable economic growth in the energy industry”
- 3 – “Achieving sustainable economic growth in the financial industry”
- 4 – “Achieving sustainable economic growth in the tourism, food and drinks industries”
- 5 – “Achieving sustainable economic growth in the creative industries (including electronics markets, digital content and technologies)”
- 6 – “A discussion on the proposed Climate Change (Scotland) Bill”
- 7 – “Challenging management conventions in business and government, with practical presentations from two experts”: Mr Stuart Ross of Ross International and Mr John Seddon of Vanguard and visiting professor at the LERC, Cardiff University

Each session was hosted by a minister or a member of the Parliament's Economy, Energy and Tourism Committee. Sessions 1 to 5 were chaired by a leading business person from the relevant industrial sector, with session 6 chaired by the chairman of the Scottish Environment Protection Agency. Notes of each session have been prepared by officials from the Scottish Government.

Disclaimer

The views expressed in these notes may not necessarily represent those of all the delegates that took part in each session, or the opinions of the Scottish Government or Scottish Parliament.

Discussion Session 1

Achieving sustainable economic growth in the life sciences and biotechnology industries

Introduction

The Cabinet Secretary for Education welcomed everyone to the meeting and thanked them for taking time to come along and to contribute. She commented on what a powerful, well-informed group had been gathered for this breakout session and was confident that they would come up with a constructive contribution. She noted that the life sciences strategy focused on 5 areas and that the first mentioned of these was people. As Cabinet Secretary for Education and Lifelong Learning, whose remit included skills, she welcomed the opportunity to discuss this and the other issues.

John Brown as Chairman also welcomed the group. He agreed with Fiona Hyslop that human capital was one of the crucial issues in life sciences and that the strength of the human and intellectual capital in the life sciences sector in Scotland was one of the key elements in conferring comparative advantage for the sector. He felt that the key issues were how to translate that intellectual and human capital into economic advantage and collaboration between the industry, universities and the NHS in order to realise Scotland's true potential. He suggested that the first question the group might consider is whether we are providing the right amount of skilled people with the right type of skills for the life sciences sector of today and tomorrow.

Main Issues Discussed

Attracting and Retaining the Right People

Contributors suggested that the strength of the science base in Scotland was a key factor in attracting people, companies and finance to life sciences in Scotland. It was as important to be able to attract people as it was to grow them in Scotland. If we did not attract the best scientists we would not produce the best science and would be unable to develop competitive spin-out companies. It was generally agreed that Edinburgh and Dundee Universities had been successful in attracting the right people. Some of those present felt that the relatively small scale of Scotland meant that we had a greater capacity for growth; we were already growing in the right direction, we simply needed to increase activity. Others commented that the quality of life that Scotland could afford was an added attraction.

Representatives from industry suggested that organisations and individuals benefited from placements within industry and that post-graduate places with automatic connections with industry would be a powerful incentive for people to work in Scotland.

The question of access to capital was raised. Companies could put together a powerful team of experienced and talented individuals but we needed to be able to hold onto them; finance was one element, but the critical mass which would enable people to move to another job if they lost their current one was an important factor. The previous mention of quality of life also influenced the willingness of people to come and work in Scotland who needed to bring their family with them. Most life scientists nowadays are internationally mobile and Scotland needs to capitalise on all its advantages to attract and retain them.

One company representative commented that they found it difficult to recruit enough graduates at all levels, not just those involved in cutting edge research, and that they needed graduates that were flexible enough to move from one part of a plant to another. Others commented that they had to resort to employing Polish scientists to fill a number of posts which they could not source from Scotland.

Another issue which concerned the HR/People Agenda was the number of people wanting to study science at school. Many of those present commented about the general lack of attractiveness in the way that science was taught in schools and the apparent lack of knowledge of career service staff about the opportunities available in a career in science. Many of those graduating with a science degree were moving into the city or the professions. Fiona Hyslop commented that it was essential to stimulate demand so that those pursuing a science career would know that they would be used at the right level. The Government was currently carrying out a study on skills utilisation. John Brown commented on the discrepancy between the skills that graduates leave university with and those that are actually required in the lab. One delegate commented that they had trained as a microbiologist before they became a chartered accountant and did so because the career prospects in science weren't attractive enough. They were now dismayed by the way that their children were being taught science and the careers information they were being given. Another attendee agreed and felt that this was being driven by the qualification system. The system needed to ensure that children had the skills to progress to the next level. They said that businesses would be involved in taking forward the curriculum for excellence. The curriculum needed to be flexible but relevant, and teachers themselves needed to be excited by what they were teaching and the prospects for those who continue to study science.

A comment was made that the idea of the Edinburgh Bioquarter was excellent and had attracted some key scientists to Scotland but the site had now sat empty for 2 years and progress was not being made quickly enough. We had to find out how to accelerate that progress. It was suggested that Government and industry needed to collaborate to work together to make learning packs for teachers and to train teachers to be confident enough to know how to use them. Fiona Hyslop said that there were opportunities in the curriculum for excellence to make the connections and that we should look at draft outcomes as a guide. One delegate thought that it might be useful to arrange opportunities for teachers to go into businesses over the summer to renew their excitement in what could be achieved in a career in science. John Brown agreed that industry needed to make more time to work with education.

Competition, R&D and Commercialisation

John also made the point that Scotland is not necessarily competing with other nations but with cities. In terms of size and market Scotland was on a par with Boston and Singapore. Estimates put Shanghai's population at between 15m and 20m, which meant that the size of Scotland was simply the margin of error in Shanghai. This meant that we needed connectivity within Scotland and inter-disciplinarily. The Scottish Funding Council's approach in encouraging pooling was useful but we needed other, commercially-focused collaborations at a Scottish national level. As an example, Wyeth came into Scotland because they saw it as a single resource prepared to collaborate. In this context transport infrastructure was key, including ease of travel internationally to Scotland's airports.

The issue was raised of entrepreneurial culture in which it was considered that the US was more advanced. They were more focused on completing the transition from the laboratory

to a company making profits. Scotland did relatively well in terms of the number of academic start-ups and had a well structured method of commercialisation but there were weaknesses in, for example, the capital markets. We had created mechanisms to develop IP but there was a lack of entrepreneurs to understand, assimilate and exploit that IP. We needed to develop the talent to scale companies up. Procurement was also an issue: Government procurement in particular needed to be focused on a solution not an over-specified item. Fiona Hyslop agreed that procurement was a crucial element and that we needed to introduce some systems thinking on how to leverage the Government's spend on procurement and align it to the Government Economic Strategy. Comments were made that some companies could sell innovative devices, particularly in the medical devices sector, overseas but could not break into the NHS here in Scotland due to a silo mentality in budgeting and procurement.

Conclusion

John Brown thanked everyone for attending and for their useful and constructive contributions. Fiona Hyslop said that she would pursue the possibility of attending the next meeting of the Life Sciences Industry Advisory Group. For those who had been unable to ask specific questions, if they wished to submit these, Ministers would respond later.

Discussion Session 2

Achieving sustainable economic growth in the energy industry

Introduction

Mr Mather opened the session, referring to the energy sector as one of the key drivers of Scotland economic growth over the years. Looking to the future, there are areas that need to be addressed to keep the sector growing; we are looking to low carbon energy supplies, working on resolving planning issues, innovations such as the Beatrice project, corporate investment plans etc - what can the sector do to embrace the future?

The Chair for the session, Keith Mitchell of Clyde Blowers, welcomed everyone to the session, and spoke briefly about Clyde Blowers and their place in the energy industry (95% of their business is overseas; recently purchased Weir Pumps; supplier to energy sector not operator). He pointed out that the 3 main topics to be addressed were relevant to his company, and to the whole of the UK, not just Scotland.

Prior to the beginning of the discussion, the participants introduced themselves, and the company or organisation they represented.

Main Issues Discussed

Point 1 - what can be done to assist Scottish companies improve innovation and sustain their international credentials?

The group recognised the need to invest heavily in technology. Technical know how was coming back into the Scottish economy from rest of the world as result of our past investments. Scotland is seen as leading development, in the right direction, and as an innovative place to come. Succeeding at these technologies will in turn breed success in Scotland. Not just technological developers, but environmental consultants, and other industries feeding into or from the machines. However, companies need to understand that technology won't develop overnight, and investors especially need to stay with us.

The Chair asked if Scotland offers the right environment to succeed and develop? Was there sufficient support from government? Yes at this stage, but we need to ramp this up if we are to deliver. Very important to keep people on side and recognise strategic importance. Tackle impediments quickly. Encourage more links between development and industry. Links could be productive - we are low in terms of research and development in Scotland. Would collaborations with government, universities and commerce be possible?

We will require trained manpower on unprecedented scale since north sea oil explosion. We don't have the supplies of skilled workers now let alone in future. Cultural and educational change needed.

We need a strong domestic market. Foreign businesses want our skills, they will take our technology and use it. We can't progress because we can't get leases to do it. We have no access to the rights at this time.

Administrative mind changing a problem. For example, MoD and their radar problems. 90km limit for siting turbines near radar. MoD won't back down, claiming national security

problem. New radar being fitted now in Norfolk supposed to deal with it. But old radar is still there as infill, and that will still be a problem.

Is the time right to rethink fundamentals in renewable technologies? Development needs funding – research to commercialisation route. SMEs can't fund 50% of development programmes. Turn it round and say state is responsible for nurturing new technology. State can offer contracts to develop – no delivery, means no money. Successful devices will then get money and make money. We can't invent everything – can have partnerships with other suppliers/build on their technologies. But again someone has to pay and the companies can't always do that.

Implementation of marine energy not necessarily going to happen before 2020 deadline, so it would be unwise to put all our eggs in that basket – will deliver some but not all. Pressure to deliver is huge on unproven technologies like offshore. Business community needs to work more closely on man management, work with home owners and their energy needs, fuel poor identification, innovative partnerships to deliver actions.

One great concern – was the UK Energy Bill. Can't have banded ROCs and research grants.

Point 2 – What can Scotland, as a country, do to enhance the awareness and interest of people in today's hugely exciting energy industries?

Problems - too many youngsters are going to university instead of tech colleges. There are no apprenticeship organisations. Awareness of opportunities of industries is not available to the people giving careers advice. Science/engineering rundown in schools. Need to re-engage with schools. Can Education do it? Have they the knowledge themselves to re-engage? SSE identified need for engineers. They are recruiting from all over Europe – can't get them in Scotland – kids tolerate education system rather than enjoy it. Company does whatever it can. They have a scheme where they fund 15 students from the area – offer them a bursary and employ them in summer; offer them employment for 2 years after they qualify.

Workforce development is also important. Employers must let staff develop the changing skills required by business. Current employees can be best advocates for future recruits. The engagement of private sector in education is critical. Their role needs to go across the wider public as well, addressing public perceptions of industry.

Industry has an image problem - working in oil industry had a poor reputation with public. Perception wind is a problem rather than a possible solution to certain problems. Need 'industry champions' across key industry sectors. Decide who is the best person in the world to represent a sector, and get them to come to Scotland – like building a football team. Might be costly, but will be worth it in the long run. Manufacturing sector might also have to revisit its image and make it more positive. Press print pictures of big installations/buildings, but with no people in them – get them to print pictures of the people who work there!!

Point 3 - what can be done to help our energy companies prepare for a possible upheaval or downturn in their business environment?

Invest in R&D when you are making money! When the lean time comes you will have the people etc to help you get through that period. Don't over-produce when times are good –

case for state intervention. Small companies would benefit from that approach. Technology innovators ARE small.

Where is the energy industry going – it will be very different in 20 years. We need to think about what the company structures/business opportunities will be. Have to think forward, not back to what industry was.

International oil agency forecasts 14m barrel a day deficit in store – this will affect everything. It would be prudent to do strategic planning around that scenario – how to survive it, and what can replaced the fossil fuels? Example – switch from decarbonising to defossilising our energy economy – Japan, Iceland, Scandinavia – moving from fossil-based to hydrogen-based fuels already.

Identify barriers obstructing transformation of energy industry. Companies will have to adapt and change whether they want to or not. Whole energy economy will have to adapt to cope. Key issue for business is certainty/clarity in government policy. Stagnation in industry. Need to stimulate significant leaps – need government help to overcome barriers.

Change behaviours rather than lower costs? People need to value energy more. Keeping costs artificially low will stifle innovation and won't survive downturns.

Chair – does foreign ownership of our companies put us at risk in the face of a downturn and if companies start to divest themselves of assets will they divest from us first?

Need to be realistic in ambitions – the challenge for foreign owned companies in Scotland is to look at productivity levels and accept we don't compete at the moment. Makes it difficult for them to keep Scottish sites. Competitiveness is vital

Need indigenous market to learn our trade and then export our knowledge and skills. Keep them here, maintain them and deploy them here. Leadership – inspiring people – other people inspire people.

Issue re international competition and domestic markets providing reassurance in global downturns. There is a shortfall in supply chain for on offshore wind. Can't deliver any major new orders by 2012. where there's an opportunity we should support our indigenous industry in Scotland.

We are low in the pecking order – how can we deliver our own requirements via current supply chains, let alone go abroad?

Conclusion

The Chair thanked everyone for their interesting and informative input. Closing remarks from Mr Mather echoed his sentiments.

Discussion Session 3

Achieving sustainable economic growth in the financial industry

Introduction

John Swinney welcomed everyone to the breakout session, commenting that it was great to see such a large gathering to discuss this theme. He advised that Owen Kelly, SFE Chief Executive, would chair this session, lead the discussion and feed back in plenary later.

Mr Swinney then referred to the presentations from this morning's plenary session. One powerful theme and central to the work of the Scottish Government is the need to get Scotland focused – get us coherent. One of the rich pieces of inheritance from the previous administration was the dialogue undertaken between government, the industry and other key stakeholders within the Financial Services Advisory Board (FiSAB). This forum is basically a 6-monthly meeting enabling issues to be “kicked around” – crucially the focus is to find out what Government can do to assist, or oil the wheels in meeting challenges of importance to industry. The thinking behind this model now underpins other work and Mr Swinney cited the work which Jim Mather MSP, Minister for Enterprise, Energy and Tourism, has been undertaking with different sectors in Scotland to identify obstacles and seek common ground. One big question at FiSAB and coming out of work started by the previous administration has been the importance of tackling skills availability and this remains a big issue. Mr Swinney reiterated the Scottish Government's view that the financial services industry is absolutely critical to the performance and prosperity of the Scottish economy and he felt that today offered an opportunity for exciting debate.

Owen Kelly echoed Mr Swinney's welcome to delegates and explained that today's discussion would be captured in writing and delegates would be informed when the full report of the Business in Parliament Conference, including breakout sessions, was available on the Scottish Parliament website.

Main Issues Discussed

Owen welcomed the group's spread of representation from not only the “big players” in the industry but also from those many colleagues from the customer interface area of the sector. He explained that everyone had the briefing paper for today's breakout session which included a list of questions to be addressed. However, as we had all heard some very insightful contributions from the speakers at the plenary session, Owen felt that it would be helpful to spend a few moments reflecting on whether we had the right topics for discussion. He suggested, and those present agreed, that the list ought to be prioritised:

- 1 – Whether FiSAB is looking at right issues, and if the answer is yes – lead to
- 2 - Skills
- 3 – Globalisation – is it a threat, an opportunity or both?

1 – Is FiSAB looking at the right issues?

Owen explained that the Strategy for the Financial Services industry in Scotland, which is overseen by FiSAB, had been running for around 3 years. It is based on 3 main pillars – People; Profile and Infrastructure. The following issues were then discussed:

- The current uncertainty in financial markets and the need to look at the complexity of financial services products. Reminded of the maxim “keep it simple stupid”. There is a view that the industry has become too clever and sacrificed trust. People are now nervous about financial services institutions.
- Some comment that “Customer” doesn’t seem to be covered – in these uncertain times both the industry and the government have a responsibility to inform and educate the consumer. We need to understand peoples’ financial needs which are changing all the time.

At this point the Chair turned to politicians for a view, asking – are people losing faith in financial services companies?

- Iain Gray MSP (Labour, East Lothian) felt that there is certainly a feeling among people that they don’t understand a lot of the financial products e.g. pensions which are quite complex - this does make people uneasy about financial institutions. The events of recent months had played into that – people do understand that Northern Rock has had difficulties but not what the difficulties were. On the other hand, there had been very little panic over Northern Rock – the first “run” on a bank (or at least people queuing to get their money) in over one hundred years.
- John Swinney agreed with Ian Gray – he observed that there is a sense that Northern Rock affected Northern Rock investors but that people who had not been personally affected did not appear to be overly worried and this seemed to suggest an element of confidence in the industry. However, in terms of the role played by politicians, Mr Swinney raised the issue of regulation. This was not a partisan view – he himself had voted on a number of occasions for a raft of regulation and he was sure that all politicians who did so were genuinely motivated to create a mood of public confidence in financial services organisations and products. What we need to consider is whether elaborate regulations which put burdens on financial services companies, and in many respects drives complexity, fulfil their purpose – which must be to guarantee consumer confidence. He acknowledged that this is very difficult to achieve within the regulatory framework.
- Iain Gray then raised the issue of innovation. When we talk about innovation we often mistakenly restrict ourselves to university spinouts and science and technology projects. Financial services in Scotland have been driven by innovation since we invented the chequebook and the overdraft and in recent times with, for example, the invention of the offset mortgage. Do we need to ask if this is a contradiction – we have already heard an argument about too many products on offer making things too complex for consumers. These Innovative products like the offset mortgage have been designed to meet customers’ needs – although some others have arguably been designed to serve the industry, leading some to wonder if there is some sense that the customer hasn’t always come first.

Further discussion then took place around the table – agreement that the difference is in transparency – the offset mortgage had been designed for the customer’s needs and to be transparent.

- Some people will be directly affected but that there is a time delay – for example, those with investments in the buy to let market with fixed term loans will not have

experienced any problems yet in terms of liquidity, but when their fixed term expires they may do so. Of course, the market may have moved on by that time.

- From a banking/investment perspective – within a Scottish context – the current reporting season has shown robust profits – Scotland should be relatively insulated from the recent difficulties as, in the main, there has been little involvement here in the sub prime business.
- We need to flip around to where are the opportunities globally – lending is contracting in the US and Europe, but there has been a massive liquidity boost in the Middle East with a 10 year potential. London is embracing this with support from the Chancellor. Scotland needs to embrace and challenge this and capture it in our banking, fund management and insurance sectors.

The Chair then drew this to a close on this more positive note by asking whether business has any wider thinking going on at company level on the wider issue of loss of faith in the industry.

- Agreed there is uncertainty, not fear but worry. In the recent difficulties at Northern Rock, industry allowed the press to carry the story but with a good customer contact strategy many people's fears could easily have been allayed e.g. those with less than £30,000 invested were insured. Had this message gone out properly the public reaction would have been much different.
- Also agreed we can't affect global trends but can present the customer facing bit in a simplified way – it is complex but we can use innovation to enhance our reputation as a good country to do business in.

2 – Skills

The Chair then moved on to our second issue for discussion. He made reference to the First Minister's speech this morning and his references to human capital as well as Professor John Kay's mention of Scotland's declining population. Skills is being looked at by FiSAB under the People pillar – views were invited from delegates and the following issues were discussed:

- Financial Service is often not the first choice of career for young people leaving education and we need to do a lot more to educate people about the diversity of careers available, that a wide range of backgrounds are required and that a sustainable career is now available – which may not have been true a few years ago, but the growth in the sector has improved this. We also need to do some work on raising aspirations among young people.
- We need skilled consumers in this complex area – people need to feel confident going into a bank – levels of financial literacy are important – vital to the sustainability of the industry. Chair pointed out the work being done in FiSAB on this issue and through Otto Thoresen in relation to generic financial advice.

What issues are facing employers which the Scottish Government can help with?

- Most top talent in Scotland graduate and move to England to work – probably remain there for 10-15 years before moving back.

- Skills is the heart of sustaining a successful sector in Scotland and a key pillar in the Strategy for the Financial Services Industry in Scotland– the issue in Scotland and elsewhere is cohesion – we need to ensure that all agencies are joined up. We need to bring people back to Scotland and to ensure that foreign nationals (who bring a variety of skills with them) are assimilated into this country. Companies also need to look at non traditional parts of the community e.g. early retirees; women returners and ensure they have flexible practices which will encourage people to come and work in the industry.
- Scotland is full of conundrums in relation to skills. It is the only nation/region of the UK with more graduates than people with no skills. The main issue about skills is utilisation - huge number working in jobs where skills are being under or wrongly used. The focus to date on the production of skilled people is OK but investment here is not producing a successful economy as the skills are not being employed to best use.
- There are 6 priority sectors in Scotland – 5 are prominent in HIE but financial services still small in that region. Westminster city council has 350 people in Dingwall providing exceptional customer service to people in Westminster City council area. The council is about to move its internal financial services the highlands (8 languages in the contract). BT is at the cutting edge of thinking o e.g. “home shoring” where technology makes it possible to enable people to provide complex services from home – about to launch something in Caithness.
- Universities measure performance as the number of graduates in employment after leaving their course should be measuring number in “relevant” employment. Large numbers of graduates in contact centres – they have great skills but are there in a transient capacity – we need to ensure that people are using their skills appropriately and this needs proper dialogue between education sector and industry

The discussion continued with an anecdote about a delegate’s discussion with a policy official about why we continue to teach French in our schools rather than Mandarin and Spanish etc – the answer was “what would we do with all of the French teachers”. This led to a wide ranging discussion, led by Mr Swinney, on the need for alignment with Scottish public policy. Scotland is spending colossal amounts of public money on education and skills – but it is not giving us the punch that it should.

- Pauline McNeill MSP (Labour, Glasgow Kelvin) agreed that alignment is a real challenge. Three universities in Glasgow, all very different and she is keen that they don’t merge because of their distinct roles. However, we need more control of planning with the Higher Education Sector – for example, why is Glasgow Caledonian now running a law school – no need for that because of other universities offering this. HE Sector wants more freedom on what courses they offer – we need a control mechanism through the funding council so that we can achieve alignment with industry sectors.
- John Swinney explained that the purpose of Government Economic Strategy is to increase sustainable economic growth and all of those organisations who spend public money need to reflect on this in their planning – just as important is the issue of “filtering down” we need to see how we can motivate and corral people to follow the Strategy.

The final point in this discussion related to the issue of personal choice. Agree that we need to get the HE sector to respond to the alignment argument but must realise that people choose to study the subjects they want. If we want people to pursue specific skills we need to incentivise them in some way, for example as happened in England and the USA with teachers. We can drive the policy of alignment but need to encourage individual choice which matches the policy direction.

3 – Globalisation

The Chair then moved the discussion on to globalisation – does it provide an opportunity or are there downsides? The discussion began by looking at promoting Scotland:

- Scotland has been the best performing region in Europe in attracting foreign direct investment.
- We have the foundations of a hugely successful sector and one where we do have a significant competitive advantage. We sell ourselves on a strong legacy and risk minimisation. We are not the cheapest location in the world but we are cost competitive.
- The Chair asked whether it is true that it seemed that the perceived threat of globalisation is one that we are relaxed about.
- Scottish Enterprise is funding some research by Professor Phil Taylor at Strathclyde University - looking not just at the number of jobs in the customer contact area lost to offshoring but at the types of job. There is a huge increase in numbers of people working in contact centres yet a few years ago people said that Scotland would soon have no contact centre jobs. Now – IBM is managing calls from all over the world, Dell is doing the same – and the language capability in Scotland is substantial. This sector is probably growing – not in double digit terms but not showing signs of decline.
- We need to look to globalisation as an opportunity – people have concerns about fraud, ID theft and we have a reputation as a “trusted adviser” – we need to have the ambition to see Scotland with “Trusted Adviser” status.

Conclusion

The session concluded with recognition that all of the issues discussed had a common underlying purpose – how we make Scotland the best it can be. The main challenge would be ensuring that government works with industry to ensure this is achieved– and today had been extremely helpful.

Discussion Session 4

Achieving sustainable economic growth in the tourism, food and drinks industries

Introduction

Tavish Scott welcomed the delegates to the session and encouraged everyone to join the discussion.

Allan Burns opened the discussions by noting the strong links between the Tourism and the Food and Drinks industries, noting that both have growth ambitions and significant potential. He asked the group to consider what opportunities there are.

Main issues discussed

Positive attitudes to growth targets

The discussion started with a debate about the importance of having a positive attitude and increasing our capacity to look for opportunities for success rather than just seeking and complaining about barriers. It was generally agreed that the growth ambitions for both food/drink and tourism were achievable although there are certainly some challenges around tourism.

Industry Leadership

It was suggested that it is easy in discussions such as these to focus on the barriers that businesses feel inhibit any development. There is a need also to demonstrate strength in leadership by the main industry players in tourism and food and drink, creating a strongly positive attitude. Government and all the public sector has a vital supporting role- setting the playing field in which the industry will work. Some also suggested that tourism was too important to be left only to the industry to lead, and that perhaps there is a need to be more prescriptive to ensure that quality tourism products were on offer.

It was noted that industry leadership is needed at all levels- including locally. There is an important role for community groups.

Need for delivery

There was a view that on tourism, we have developed an agreed strategy, we have reasonable leadership within the industry; but what we need to concentrate on is delivery. It was suggested that we have reached a stage where we should impose a need for quality of our tourism and food products.

Infrastructure requirements

Several delegates raised the need for improved infrastructure within Scotland to meet tourists' demands for easy and sustainable access. Improvements to road and rail and more direct flights to Scotland were called for. It was noted that without direct flights, Scotland may have to make do with tourists only visiting Scotland at the tail of their visits to the UK- often having arrived in London.

Quality products

There was discussion about how there has been significant improvement in the quality of “top-end” tourism and food and drink products (“premiumisation”) but that this was consistent across more general levels of product. It was noted that tourism relies very much on SMEs.

Planning regime

A number of delegates mentioned the slowness of the planning process and how this can delay and discourage development and investment.

Tourism skills

The Minister for Schools and Skills emphasised the training needs of tourism businesses. She highlighted how the Skills Strategy can help to identify what is needed and how this can be delivered. Others noted that it is not always easy to engage with tourism businesses to understand exactly what skills gaps exist- especially in SMEs. As a practical example of how this can be overcome; reference was made to a local initiative in Bathgate where the business community had commissioned the provision of an SVQ in customer services and that many local businesses were making use of this for their staff.

Scotland's heritage

The value of Scotland's tourism products in its history, heritage, food, beauty and landscape was highlighted. It was suggested that there may be a need to focus on some of these in certain areas in order to decide where priorities should lie in further developing these.

Scope for increasing market penetration

It was agreed that overall, and particularly for food, there is great potential to increase the penetration in markets south of the border and also that businesses should be encouraged to cross-sell by providing information about other products

Discussion Session 5

Achieving sustainable economic growth in the creative industries (including electronics markets, digital content and technologies)

Introduction

Mr Crawford welcomed the delegates to the session and emphasised the importance of this event in bringing together business leaders, industry stakeholders and policy makers to exchange views and work together in moving the sector forward. In introducing the discussion he highlighted the diverse nature of the Creative Industries which encapsulated many disciplines and technologies. Digital Media and Creative Industries was recognised as a significant contributor to the Scottish Economy – employing an estimated 100,000 people and accounting for around £2.8m GVA. It was also an area in which Scotland had clear potential to lead the world, as demonstrated by the significant investment in our infrastructure capability at Glasgow's Pacific Quay. The BBC has invested £180m in Europe's first all digital, tapeless environment – transforming the delivery of digital content. The entire Pacific Quay development had only been made possible through some far-sighted intervention by a number of partners including Scottish Enterprise and Glasgow City Council. Government was also assisting the development of many enabling technologies through programmes such as SMART:SCOTLAND but it was clear that much needed to be done. Mr Crawford thanked David Stewart, CEO of Critical Blue Ltd, for facilitating the morning's discussions before passing over to him.

Main Issues Discussed

What is the role of industry and Government in moving the sector forward?

A key theme emerged on the importance of industry articulating the range of activities encompassed under creative industries – not an easy task given the breadth and diversity of the sector. This would involve greater partnership working within the business community to articulate this message. It was clear that relatively few business people had put themselves forward to attend this session and there was a feeling that unless the width and depth of companies in the Creative Industries sector were prepared to get involved, it would be difficult to make any significant progress. There were positive signs of the Scottish Government's willingness to engage with industry and this represented a real opportunity to develop a strategy similar to those prevalent in other sectors such as Financial Services and Life Sciences.

Government had a continuing role in reducing the levels of bureaucracy faced by business and as with previous conferences, procurement emerged as key area for increased Government focus. There was a need to facilitate easier access to public sector work, particularly amongst the SME community who were finding this door firmly closed.

In addition, other suggestions for potential Government intervention emerged including: targeted support for intellectual property protection, using a 40 hour week as the basis for tax collection which would drive up business competitiveness and consideration of an incentive scheme allowing business to receive a return from the exchequer (perhaps as a pension credit) as a premium related to VAT collection. Some of these were recognised as reserved matters.

Shaping the future of the Creative Industries

It was clear that there was enormous global economic opportunities within Creative Industries. Diverse examples were highlighted, including an existing Scottish company already operating with global organisations in the area of marketing and advertising video. There was also huge opportunities in the field of on-line entertainment with global markets estimated between £29 and £44 billion – the question is how much of this market does Scotland aspire to attain?

The group identified the need to raise Scotland's game and address the key issues preventing rapid growth through a co-ordinated approach involving industry and Government. Some of these were identified – the lack of headquartered large companies in Scotland, too few micro companies not developing into large SMEs and the importance of improving skills in the work-place by perhaps looking at other successful programmes such as Train to Gain which currently operates in England.

There were inherent difficulties in taking forward a co-ordinated action plan for the entire Creative Industries in Scotland – it was considered too large and more or less impossible to define. In view of these factors, the group discussed how future actions could be best progressed. Digital Media and Information and Communications Technologies (ICT) emerged as two key areas for Scotland. There were activities underway within both – the recently formed ICT Forum had brought together important private and public sector organisations to examine how ICT could play a more significant role in the development of the Scottish economy and Scottish Enterprise was embarking on the development of an Industry led strategy for Digital Media. These were important work-streams offering potential for co-ordination and the development of a broader and more powerful action plan. The group stressed the need for industry to become more engaged in this process and all delegates agreed to help stimulate interest amongst their industry contacts.

Agreed Actions

Action Point: All group members to engage with industry contacts and encourage participation in development of Action Plan.

In highlighting the importance of this area to the Scottish Economy, Mr Crawford advised that Parliament time would be made available to debate a proposed Action Plan – prior to summer recess if sufficient progress could be made. This provided a welcome focus to the ongoing work and there was a clear action for the ICT Forum and Digital Media Strategy group to work together to deliver this Action Plan.

Action Point: ICT Forum and Digital Media Strategy group to work together to deliver coordinated Action Plan.

In moving forward the group emphasised a consensus view that it was important not only to set long term strategies, but also deliver results over the short term – this very much echoed one of the main themes covered by Ian Marchant in his earlier presentation.

Conclusion

Mr Crawford thanked everyone present for their participation in the event and input during the lively breakout session. He also thanked David Stewart for facilitating the discussion group in such an effective and professional manner.

Discussion Session 6

A discussion on the proposed Climate Change (Scotland) Bill

Introduction

Stewart Stevenson MSP welcomed the delegates and the opportunity to hear the views of business on both the Scottish Climate Change Bill consultation and wider Scottish Government action on climate change.

David Sigsworth, opened the discussion by reminding the group that the Bill consultation is specifically about setting a framework to deliver the Government's commitment to reduce emissions by 80% by 2050. It does not include any of the measures or identify long-term policies needed to reduce emissions – while these aspects are undoubtedly of interest to the business community, this is not the purpose of this Bill. He highlighted that some policy proposals, which would require legislation, will be consulted on separately. A key aspect of the Bill consultation is the nature of the target, how it is measured, how benchmarks are set and what is needed to ensure continuous progress.

Main Issues Discussed

Opportunities to be gained by Scotland's early adoption and ambitious action

The group welcomed action to help business invest in the future renewables market and it was acknowledged that there were potential business opportunities from climate change related activities. Good innovation in this area can offer business a competitive edge. The example was quoted of a Scottish company which had developed an energy efficient product that had helped to boost profits significantly and secured hundreds of Scottish jobs.

It was noted that business must remain aware of global action on climate change. Some group members had already looked abroad to find practical examples they could use in their own businesses - Sweden's work on ethanol fuels was cited as one example.

While supportive of the Scottish Government's ambitions - some questioned the ability of Scotland to deliver on climate change in global terms and there was a note of caution that these ambitions should not affect a business' ability to be competitive.

Emission budget periods

The proposed bill suggests a framework that needs monitoring and budgeting to see it is delivered. There was no consensus on what budget periods should be adopted. It was noted, however, that business cycle information should inform the setting of these budget periods. It was also acknowledged that as well as the 'Scottish' business cycle many companies operating in Scotland need to be aligned with global, EU and UK cycles, and the Bill must do the same.

Given the long term approach to climate change it was suggested that the Committee on Climate Change - which will offer regular scientific and economic advice to governments - might offer the most stable, long-lived institution around which to tie the emission budget period. Acknowledging that some infrastructure needs require decades in terms of budget setting - it was noted that once an understandable framework has been developed - it

could be periodically reviewed - in a consistently understood way - that would allow targets to be realigned. A key challenge for the Bill is to ensure Scotland's action on climate change is in line with EU and UK action and timescales.

Motivations and Approaches to Risk

Motivation for business engagement in climate change action was discussed. Many in the group acknowledged the growing pressures/expectations from both employees and customers. Government pressures on the public /private sector to take action was often matched by pressure from elsewhere. Moves by some supermarkets to ban the use of air transport from their supply chain was one example of an external factors that can affect businesses. The quicker business starts to look for savings the more they will save and, the more prepared they will be for the challenges imposed by others.

Mr Stevenson asked if tax rebates/reductions for those adopting energy efficient measures would be welcomed. There was a comment that any reference by government to tax was always looked upon with suspicion! Participants felt most businesses support the need for energy efficiencies and would support legislation if it was seen as helpful but remained uncertain about link to tax support.

The different approach to risk by the public and private sector was discussed.

Understanding the processes required of business and the cost of carbon will take time to develop. If Scotland wants to be ahead of the game there are inherent risks and there needs to be an assessment of these risks in terms both of costs and the long term return.

There was support for more partnership between business and government - sharing both the responsibilities and the risks.

Demonstrating how Scotland is progressing towards the Bill's long term targets was considered vital to give communities and businesses the ability to maintain and drive support for climate change actions.

Vehicles to deliver the Bill's aims and objectives

The Bill is seeking to establish a framework it does not seek to identify the vehicles that will deliver its objectives. However the group did discuss what these might and should be. Acknowledging the range of activities that can be adopted in support of climate change, discussion around energy demand, energy efficiency and renewables dominated. A need for a common sense approach to the implementation of any legislation was noted. The current focus of the building and construction industry to improve the sustainability, insulation and energy efficiency of new buildings was seen at odds with the size of the potential wins from energy efficiency in existing build stock. Support to enable businesses to bring their buildings up to an agreed energy efficient /sustainable standard was considered helpful and the opportunity for government to set an example with action on their own buildings was encouraged.

It was noted that the EU Emissions Trading Scheme (ETS) and the Carbon Reduction Commitment (CRC) should provide the drive and challenge needed to get many business and industries actively seek energy reductions.

Readiness for Action

The need for action now, as mentioned in Ian Marchant's opening presentation - while supported by many in the group - led to discussion around some inherent and long standing issues about the ability of Scotland's infrastructure to rise to these new climate change challenges. The need for a 'joined up approach' from government, its agencies, and business was recognised, There was a call for faster decision making and greater predictability in planning decisions. Comments also highlighted the need for business to be confident that actions implemented now will not simply be abandoned or countered by subsequent government administrations.

Some noted that climate change had already motivated them to reflect on the 'lifestyle' of their companies – allowing them to review the sustainability of their current approach. The incentive was real cost savings but this often required them to go beyond the obvious 'trendy' responses e.g. for transport bio-fuels are often presented as 'the' solution. Today for a Scotland wide fleet operation it is not a practical option but, retraining drivers to be more fuel efficient is - and can deliver instant results.

A key feature of this discussion was the sense of pragmatism. The group got down to saying that every firm, community and organisation that can make a contribution ought to think now of one thing that could make a difference tomorrow and next year, and that they ought to look for one relationship in which they could start to share their current expertise with others.

Conclusion

The following key points were identified by the Facilitator - David Sigsworth and formed the basis for his feed back to the plenary discussion:

- The ambition of the Climate Change Bill (80% emissions reductions by 2050) was seen by the group as a massive challenge to Scotland, but it was recognised that in global terms this contribution would be small. Work in Scotland must be matched with international effort to pass on our skills and show leadership in the world arena
- The Bill's emission budget and monitoring periods should be integrated to the business cycle of those who are expected to invest in and plan to deliver the legislation – principally businesses and local authorities – but must also align with EU and UK action and timescales.
- Climate change is not and should not be treated as a single issue – it needs to be considered in the round as part of all decisions and planning.
- While new technologies will play a part in delivering our climate change ambitions it will be critical to ensure all existing measures are employed and incentivised. Energy efficiency was seen as a key driver - at all levels not just energy sector but manufacturing industries and heating communities. Need to review the incentives offered and remove the blocks to adopting energy efficiencies
- Strong science support to show how Scotland is progressing towards our target will be important to give coherence, and support business and communities in their task of driving continued and committed support to meet the Bill's objectives.

- The Group supported the practical approach adopted by Ian Marchant and the Climate Change Business Delivery Group - acting now to deliver. This is not a task that can be put off to future years.

Discussion Session 7

Challenging management conventions in business and government

Introduction: David Whitton MSP

David Whitton welcomed Stuart Ross to the session. As Managing Director and Principal Resultant of Ross International, Stuart has many years of experience in driving improvement in both the private and public sectors. Known for his passion and enthusiasm Stuart has been a pioneer of the LEAN approach which will be the main focus of his session today.

Stuart Ross - Main Issues Discussed

Stuart Ross covered the role of his company in driving improvement in public and private sector businesses using the LEAN approach.

LEAN is essentially about people at all levels of the business systematically and continuously identifying and eliminating things that waste time, cause blockages to flow and generally add no value to the customer. Stuart stressed that the key to success of this approach is the commitment of top level management, but more importantly it is about winning hearts and minds of people who work in the business.

Stuart outlined the stages involved in a Kaizen Blitz (change for the better) or Rapid Improvement Event (RIE) week. The main purpose of the company's involvement is to help organisations to train their own facilitators and become self sufficient in driving forward improvement.

The presentation (attached) sets out the context to LEAN and highlights specific examples of its operation in multiple sectors in Scotland.

Questions / Discussion:

Does the success of the approach work better after repeated events?

Yes. More importantly people need to see it working in their own environment rather than in theory.

The approach is predicated on a common goal for the 'customer' – what if this is contested, particularly in the public sector where there may be competing goals and trade-off is required?

LEAN is adept at getting multi-functional teams with different interests on to a common goal. It helps to focus on what matters rather than petty rivalries which tend to disappear.

What was the involvement of Trade Unions in the examples mentioned?

Depends on the organisation. When LEAN is combined with other major change such as downsizing it can be very sensitive. The approach however is predicated on giving responsibility and influence to all levels of staff, particularly to those staff who are closest to what the customer wants. It should not be threatening for staff, on the contrary it offers great learning experience.

How does the approach help to determine the bigger picture, for example the 'what' we are trying to achieve for the people of Scotland rather than the roles of individual organisations?

The approach includes 'value stream mapping' allowing us to view the respective contribution of various parts of the organisation, including the competing views.

How is the approach replicated in very small organisations?

The principles remain the same. 22 is the smallest organisation that Ross International have used the LEAN technique with but have worked with small Departments of around 9 people within larger organisations.

Can see the focus on the customer but what about the importance of communication and relationship building?

This is an important aspect of the approach and time should be used in understanding their needs and how the business can best respond

The importance of getting buy-in from middle management?

It is vital that middle management are involved in process from outset – they are often feeling the most exposed in terms of being 'squeezed'. The process brings together top-down with bottom-up.

What makes this different from 'time in motion' or 'work study' approaches?

The LEAN approach and the Rapid Improvement Events are not 'stop-watch' environments. The team themselves work together to drive out waste which is often very obvious.

Introduction: Adam Ingram, Minister for Children and Early Years

Adam Ingram welcomed John Seddon. John has become prominent in his challenge to conventional management practices and his thinking has been set out in a range of publications, including "Freedom from Command and control – a better way to make the work work", "I want you to cheat: the unreasonable guide to service and quality in organisations", "The case against ISO900" and his soon to be published "Systems thinking and the public sector".

Improvement and efficiency in both the operation of the public and private sectors is key to the Scottish Government's overarching purpose of sustainable economic growth.

Mr Seddon has also met with Ministers in the last few months and has been complimentary about our leaner and more focused approach to Government and on the direction of travel on certain issues not least our determination to move to an approach where the premium is on achieving outcomes not on the swathe of monitoring and processes that distract us from our objective of sustainable economic growth.

We have a real opportunity as a nation to be bold and adventurous in what we do. We want to be open to fresh thinking and new ideas and John will want to challenge us all further on our fundamental approaches to business.

John Seddon - Main Issues Discussed

John introduced himself as an occupational psychologist and management thinker credited with translating the Toyota Production System (TPS) for service organisations.

John highlighted the influence of W. Edwards Deming, whom John credits with introducing him to the importance of understanding and managing organisations as systems and Taiichi Ohno who showed the practicality and power of doing so in manufacturing. Full presentation attached.

The main issues John stressed during the presentation were:

- Change the system and the culture of a business or organisation changes.
- Much of the demand within an organisation is not 'work' but failure demand.
- Use real data from the work – organisations need to understand the predictability of demand.
- There is a role for managers in an organisation – but this is to complement 'the work'.
- The cost of any business is in the 'flow' – we rarely measure this within organisations. Stressed 'economies of flow' not 'economies of scale'.
- Standardisation is a bad idea – we should be designing against the demand for the service or product
- We must embrace the need for variety in service organisations. Must adapt to variety of customer needs.
- People should be in charge of their own learning, this will increase their ability to serve the customer. Serving the customer and improving the job go hand in hand.
- If we set targets, then people will use ingenuity to find ways to meet targets. Often at expense of delivering what is really required by the customer. Targets can be destructive.
- We must strive beyond 'best practice' – business should be continually improving and adapting to the needs of the customer.
- Critical of 'call centre' type approaches – 'one stop shops' generally means the business cannot do anymore with it!
- System design – Plan/ Do/Check.
- A plan should not be at the core of the business. Knowledge of what the customer wants and knowledge of how the business is working is paramount.
- The specification and inspection regime is wasteful the paradox being that this is meant to improve public sector performance. There are five main types of regulation (writing specifications; inspections for compliance; preparing for inspection; the specifications being wrong; impact of inspection on morale)

John concluded by stressing that waste is nearly always man made and anything that does not create value in an organisation is waste. He urged us to think counter-intuitively against what we have built in our businesses and organisations - a 'command and control' structure. We have started well in Scotland – for example our new more trusting relationship with local government through a concordat – but have a great opportunity in Scotland to challenge the conventional target culture being driven forward by UK Government.

Questions/ Discussion:

What about capability measures (rather than target setting)?

Capability measurement should be the cornerstone of public sector improvement. We should always look at purpose from the customer's point of view. The end to end process is important but we need good quality time-series data so we can look beyond the 'average' performance. Waste needs to be designed out of processes not just in the business concerned but the waste that is knocked on to other services e.g. legal system.

Targets tend to focus people on the wrong things, they focus peoples' ingenuity on survival rather than improvement. Capability measures encourage peoples' ingenuity to be focused on how the work works. Targets have little value in understanding and improving performance; capability measures are of great value in understanding and improving the work.

How challenging is it for people to buy into the philosophy?

Accept that such a counter-intuitive view is challenging to grasp. And a 'manager never admits he/she cannot manage"! But learning by doing is the best way to demonstrate success of the approach – examples of housing benefit improvement in London Boroughs.

Are local authorities going to take on the philisophy?

They have to be willing and open-minded participants. Be wrong to force the views on them. Certainly open to any approaches.

How does the fee structure of regulatory bodies (e.g. in Care ; or in relation to environment) affect performance of scrutiny bodies?

Better regulation is an oxymoron. Care is a sector which is 40% less productive than it should be. At least you appear to have a more streamlined set up in Scotland – care establishments in England are dogged by regular, uncoordinated visits from different bodies

How do politicians defend themselves against accusation of failing to improve?

Clearly a very difficult issue, not least in that the public perception can be that targets, monitoring audit and inspection provide a degree of 'protection' from failing services. But a good start has been made in Scotland with a more trusting relationship with local government through a concordat for example. Ministers need further exposure to learning. Measures of progress that represent people's views are what really matters.

The session concluded by a discussion on “Getting it Right for Every Child” and Changing Lives (developing the capacity of social work / social care) and whether a universal approach as distinct from a much more targeted approach was most effective. John urged not to treat all children the same – the key was to have knowledge of what is going on out there and tailor services accordingly. Advice would be to avoid standardisation.

TRANSCRIPT

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Business in the Parliament

Friday 22 February 2008

[THE PRESIDING OFFICER *opened the meeting at 09:00*]

Opportunity Challenge— Achieving Sustainable Economic Growth

The Presiding Officer (Alex Fergusson):
Good morning. I am pleased to see that you have all survived last night's dinner extremely well. You are all looking very fit on it, and it is nice to see you here this morning.

I am privileged and genuinely delighted to chair the opening ceremony of the business in the Parliament conference in this magnificent debating chamber, and to welcome you all to it.

This is our fourth business in the Parliament conference. Like all the previous conferences, it has been jointly organised by the Scottish Parliament, particularly through the Economy, Energy and Tourism Committee, and the Scottish Government. It has been organised with the aim of providing you—all of you are experts in business—with the opportunity to inform parliamentarians and Government of your priorities. I met a number of you last night, so am sure that the opportunity will not be wasted.

There is a wonderful Chinese proverb:

"If you want a year of prosperity, grow grain. If you want ten years of prosperity, grow trees. If you want a hundred years of prosperity, grow people."

The Scottish Parliament is very much in the business of growing and empowering the people of Scotland. As a modern participative democracy, Scotland has earned an international reputation for our focus on people, for our bottom-up rather than top-down approach to politics, and for the way in which we seek to engage innovatively with our people. We listen to what they say and we seek all the time to build a sustainable future for Scotland, based on that voice.

A key theme of several of my recent speeches has been that we are all Scotland's people and that we all need to work together to grow our great nation. The belief that we need to put all our energies, thoughts, skills and experience into helping Scotland to flourish is at the heart of our parliamentary life. The best growth that we can hope for is growth that involves the expertise of all Scottish people: our teachers, our information technology and financial experts, physicians, scientists, environmentalists, civic society, artists and our businessmen and businesswomen,

including all of you who are sitting in the chamber today.

Under today's theme, which is "Opportunity challenge—achieving sustainable economic growth", Parliament and the Government are seeking to involve the business world directly in growing Scotland. Today is about listening to your expertise: it is not simply a tick-box exercise, but a serious effort to feed your voice directly into the policy-making process. Following the conference, that voice will be laid out in the form of a report.

Around the chamber today, there is a mutual understanding that focus on the economy and the future is key to Scottish growth. That should come as no surprise: we are talking about a people whose history has given the world great Scots and Scottish inventions such as Alexander Graham Bell and the telephone, James Watt and the steam engine, and Alexander Fleming and penicillin, to name probably the three best-known Scottish inventors and their inventions. We are talking about a people who are still known today for their innovation and inventiveness.

We are known for our world-class financial services industry, which is in constant growth; our renowned life sciences sector; inventions such as computed axial tomography and magnetic resonance imaging scanners; and our diverse and vibrant energy sectors, from the oil and gas industry, which has 2,000 service and supply companies active in more than 40 countries worldwide, to our quarter of Europe's current wind resources and more than a quarter of its potential wave and tidal resources.

We should not forget our strong engineering heritage, with our innovations in industries such as optoelectronics and nanotechnology, or our 1,200-company-strong food and drink industry, which is making a name for itself as a major exporter. Whisky is vying strongly for top place on the list of exports.

We in the Scottish Parliament also recognise the important role of the economy in Scotland's future—our Economy, Energy and Tourism Committee provides but one example. In its current tourism inquiry, it is considering whether the Government's target of a 50 per cent increase in revenue from tourism by 2015 can be achieved. That inquiry will identify and suggest measures to address the key challenges.

Only last month, the committee joined forces with the Scottish Trades Union Congress to host a half-day seminar called "The Scottish Workplace and the Productivity Challenge", which explored why Scotland's workforce lags a little behind other countries in productivity. The committee is listening to employers' expertise on issues such as workforce development, investment in

infrastructure, and measures for improving productivity. In the spring, the committee will begin another inquiry, into Scotland's energy.

The Scottish Parliament & Business Exchange is another example of our efforts to engage with the business community. For those of you who are not familiar with the exchange, it aims to provide MSPs with direct experience of business and to give businesses the opportunity to experience a little of parliamentary life. One of my first engagements as Presiding Officer was to host the relaunch reception for the exchange, and as its honorary president I earnestly hope that it will go from strength to strength in providing vital engagement between Parliament and business.

Some of you might be members of—or be aware of—Scotland's Futures Forum. For those who are not, it is a body in which MSPs engage with policymakers, businesses, academics and the wider community to consider the challenges and opportunities that Scotland will face in the future. The forum has been considered a best practice model and the UK Parliament and the Welsh and Northern Ireland Assemblies have based their futures work on it. It has already published its first report, "Growing older and wiser together—A futures view on positive ageing", and it has now moved on to a project to consider how, by 2025, Scotland can reduce by half the damage that is done to its population through alcohol and drugs. That project will conclude with a major event in the chamber in June.

On top of all that, we have a large number of cross-party groups in Parliament on a range of subjects, from the Scottish economy to oil and gas to crofting. Also, a multitude of briefings and events take place in Parliament—there is one almost every night—involving a range of organisations, from the Scottish Food and Drink Federation to the Freight Transport Association to the National Farmers Union of Scotland.

The Scottish Parliament also supports the Government—strongly, I hope—in international liaison. Our efforts to build relations with legislatures and institutions throughout the world help to create wider opportunities for a number of links, and particularly business links. Since the beginning of this year alone, we have had visits from the President of the Australian Senate, the vice-president of the Catalan Government, the Italian ambassador, and the New Zealand high commissioner, among others. I look forward to leading a parliamentary delegation to the USA and Canada at the end of March as part of the Scotland week celebrations.

I conclude my remarks with a thought from that great Scots businessman and philanthropist Andrew Carnegie, who said:

"There is no class so pitifully wretched as that which possesses money and nothing else."

We are all conscious of the importance of the economy in growing Scotland, but for that growth to be sustainable, it must involve more than just economics. It must continue to come coupled with the Scots' spirit of compassion so that the opportunities to come are for not just some of us but for all of us.

I wish you productive discussions. I hope that you have a genuinely enjoyable conference as well as a productive one and I ask you to continue engaging with this, your Parliament, in the future.

It gives me great pleasure now to invite the First Minister, Alex Salmond MSP, to address the conference.

09:09

The First Minister (Alex Salmond): Presiding Officer and friends, I am in an extremely unusual position because this is the first time I have spoken to those who are in the chamber while facing them. Normally, I sit where Professor Kay is sitting this morning. I think that Tavish Scott is the only person who is sitting in his normal seat. However, there are a lot more people in the chamber this morning.

The shape of the chamber, by the way, was not the brainchild of Señor Miralles, talented and innovative architect though he was. Its shape was the brainchild of Sir David Steel. The chamber that Señor Miralles originally envisaged was, as I described it at a meeting with him, shaped like a banana. It was an elongated shape. As I looked at the model, I suggested to Señor Miralles that it was similar to a banana. He said:

"It is not a banana; it is my chamber."

I said that if I was debating with Mr Dewar, I would need binoculars to see from one side of the chamber to the other. In response, Señor Miralles said that his

"chamber is not for debate, it is for communing."

So I hope that you have a good commune today.

There are many people in the chamber. I thought that the objective of business was to slim down the number of politicians—as far as I can see you have managed to double or treble the number of people in the chamber. To contrast with Westminster, the chamber there—which, incidentally, is probably the only aspect of the Palace of Westminster of which I approve—is a tight and compact stage. There are 650 members of the Westminster Parliament, but there is room for 300 crowded on the benches, if you are lucky. The Scottish Parliament chamber is about four times the size with about one fifth of the number of

members, which means that every member of the Scottish Parliament has 20 times the space of a member at Westminster, which may or may not make it difficult to commune. Nonetheless, this chamber carries great authority. I hope that you look forward to your debates—or your communing—today.

I am delighted to deliver the opening address in this year's business in the Parliament conference. This is the fourth such conference, although not all of them have been in this building. The most recent event was in 2006. I now realise why there was not an event last year—no doubt MSPs from all parties were preparing for some other enterprise, such as coalescing or debating in the election campaign. I am delighted to see so many colleagues here, particularly our friends from the business community. I hope that everyone enjoys the experience.

Throughout the parties in Parliament, in the Government and in the body politic, we are taking a fresh look at Scotland's economy. I detect a new attitude throughout Parliament. I hope that it is a can-do attitude that does not consider the policy constraints—except with the intention of removing them—but instead asks what we can do, rather than worry about what we cannot do. We are not yet in a perfect position: to take one issue that may occupy the minds of many people today, the Scottish planning system is in need of substantial change. However, that is understood throughout the political parties. Indeed, a framework for change was put in place in the previous session of Parliament. The test will be whether, in the next year of the present session, we can develop a planning system that is an advantage for Scotland, rather than a comparative disadvantage.

The Government has an overarching economic strategy to increase sustainable growth. The idea is that, by the end of this session of Parliament, we will match the United Kingdom's rate of growth. That is a relative statistic and it is meant to be one, for reasons that I will explain in a second. Thereafter, as a medium-term target, we aim to raise the rate of growth in Scotland to that which has been enjoyed by the small independent nations that surround Scotland in what we call the arc of prosperity.

The relative target is to increase our rate of growth in order to close the gap between the performance of the Scottish and UK economies that has, to a greater or lesser extent, prevailed for the past generation and certainly for the past 25 years. The target has been cast deliberately as a relative one because we live in a world in which economic conditions affect everybody. As we know, we are all interconnected and interdependent. However, there is no particular reason why, if we emphasise our comparative

advantages, the Scottish economy—within a single framework—should not perform as well as the UK economy as a whole.

In what are acknowledged to be increasingly challenging economic times, there are already some indications from retail sales, business confidence and house prices that the Scottish economy, while it is not immune to international conditions—not that it could ever be—could close the gap relative to the UK economy, if not in a downturn then in a contracting economic environment. We would obviously like to close the gap in an expanding economic environment, but it will be no mean achievement to move—as well as keeping our eyes on the potential to match other better-performing economies—towards closing that gap over the next four years.

Statistics can be the stock-in-trade of economists and, often, politicians. We like playing around with them, and it is often said that there are lies, damn lies and statistics, or that, if we were to lay all the economists in the world end to end, they would never reach a conclusion. I am sure that that is the case for politicians too—and, perhaps, even for businesspeople. Statistics do matter, however. Even a marginal change in the Scottish rate of growth, accumulated over time, makes an enormous difference to the impact on living standards and prosperity. Last week, I was in Dublin. Twenty years ago, gross domestic product per head was 30 per cent lower in Ireland than it was in the United Kingdom, whereas today it is almost 40 per cent higher. I reiterate: gross domestic output in Ireland has over the past 20 years moved from being 30 per cent behind the UK to being almost 40 per cent ahead of the UK. Although Ireland's growth has been spectacular, the marginal change might not have looked extraordinary in each year. The cumulative effect is extraordinary, however. Scotland's having grown at roughly 1.8 or 1.9 per cent over the past 25 years, compared with the UK's having grown at 2.3 per cent, does not sound like a huge difference, but the cumulative effect over the period is enormous. A marginal change in the performance of the economy can result in an enormous change over time.

I want to talk about Parliament and the Government working with business. Firms, companies and businesses hold the key to achieving the ambition of prosperity. Strong and sustainable economic growth will ultimately depend on Scotland's businesses succeeding in global markets and capturing new sectors and new markets. The job of the Scottish Government and the Scottish Parliament is to do everything within our power to enable success. The Government recognises that challenge, and we are trying to achieve that ambition.

Infrastructure has a key role in public policy. We recently decided to proceed with the M74 motorway and very recently, we removed the tolls on the Tay and Forth road bridges. Less recently, we took the decision to go ahead with the new Forth crossing. As I have said, we are committed, across the Parliament, to building a new and responsive rapid planning system.

In my view, this Government's first budget—which was passed, by some miracle, in this chamber only two weeks ago—combined important measures to support enterprise and innovation. The budget provided for lower business rates, especially for small businesses, which is a policy that the Government pioneered, although it is fair to say that we were encouraged by other parties in the Parliament to move quicker and faster. It contained incentives for research and innovation, particularly in renewable energy—which the Presiding Officer mentioned—but also across the range of areas in which Scotland can succeed. The budget also contained new support for social enterprise, which I hope shows a growing recognition of the importance and performance of the third economy within a modern society. Those are our early decisions: they are the first phase of the reforms that we will put to Parliament, and have the common purpose of strengthening and invigorating Scottish economic performance.

As we study a variety of economic systems and economic successes and failures, we note that there is a host of things that a Government, a Parliament or an economic policy maker can suggest or prescribe to make an economy successful. Innumerable policies, stratagems, incentives, schemes and wheezes can be tried but, in reality, only two things really matter: if you study any economy anywhere, any time, only two things are absolutely critical for success. The first is mobilisation of human capital—to educate and train the people, to exemplify and to create advantage in the performance of the population in skills, training, abilities, innovation, ingenuity and entrepreneurship. Human capital is critical. Incidentally, human capital will be the scarcest resource of all in this coming century.

Secondly, we have to build and identify areas of comparative or economic advantage in the economy. If you think about it, the reason why we have to do that is obvious, and Scotland exemplifies why it is obvious. If all we do is train our people to a really high level, produce more research papers per head of population than any country in the world and produce exceptionally high-quality graduates, we can produce smart, successful Scots, but that in itself will not necessarily create a smart, successful Scotland. If we do all that without there being comparative advantage in the economy, what we produce will

be the smartest, most successful, brightest, most intelligent airport departure lounges in the world. In order to have a successfully performing economy, you have to match and marry human capital to comparative advantage—to a reason, an edge and a decisive incentive to allow that human capital to be deployed in our own economy.

About 10 or 12 years ago I went to Ireland to make a film on the Irish economic tiger. On that occasion, I was asking the questions, as opposed to avoiding answering them. I interviewed a guy called Ruairi Quinn who was the then Irish finance minister—I see Tavish Scott laughing knowingly—and a Labour politician. I asked him a question that indicates that I will never replace David Dimbleby or Jeremy Paxman as an inquisitor. I asked, "Look, to what do you owe your economic success, finance minister?" The question was totally mundane; the answer was totally brilliant. He said that, 10 years ago, the Irish parties recognised that Ireland was an undereducated society. At a time of huge economic stringency in Ireland, they diverted resources into education in the knowledge that many of the young Irish people who took advantage of that educational incentive would go elsewhere to pursue their careers—to London, New York or wherever. They also recognised that if they got the competitive conditions correct in the Irish economy, those people would come back. "What has happened to Ireland," said Rory Quinn 10 years ago, "is that they are returning."

The reason why that was a brilliant answer, of course, is that if you were to ask most politicians—such as me and the others among you today to what we owe our economic success, they would probably say—or John Swinney might say—"My budget two weeks ago was absolutely brilliant." I might ask Tavish Scott, "To what do you owe your success as an Opposition politician?" He might say, "Well, I think that my particularly clever question to the First Minister last week put him on the spot." A question to me might be, "To what do you owe the credit for this latest innovation in Scotland?" and I might answer, "Well, I was leading the way as First Minister." I thought that Ruairi Quinn's answer 10 years ago—that they had built the foundations of a new society in Ireland—was fundamentally brilliant because it acknowledged that the building blocks that change a country are not made in one statement, one budget or one set of policy proposals, but by a collective understanding of what has to be done to shift an economy and a society.

Let us be clear: the one reason why I am confident that we can build a Celtic tiger economy—or a Celtic lion economy—in Scotland to equal or surpass the Irish economy is that we are starting from a position of much greater strength, power and financial strength, and we

have a much greater industrial heritage. What Ireland has done can be done: Scotland should be able to rival, or to better, that performance. However, we have to have the same understanding of what has to be done to shift the economic views in society.

The rules of the game have changed in Parliament: I lead Scotland's first minority Administration, which depends on commanding support from throughout Parliament. That makes votes very exciting. I am surprised sometimes that there is not much more concentration on votes, because members all hang on every single vote. A minority Administration is an interesting way in which to conduct business. Having seen large majority Governments in another place, I think that a minority Government has many advantages, although it also has one or two disadvantages.

I hope that today's event illustrates—both to those who have been to previous events and those who are here for the first time—one of the things that the Scottish Parliament does outstandingly well: accessibility to MSPs of all political parties.

A theory is abroad among some economists that the optimum population size of an economy is between 5 million and 10 million people. Plenty of evidence for that exists in western Europe, south-east Asia and all sorts of other places. When people try to understand why that, rather than something much larger, is now the optimum size of an economy, two arguments are usually deployed. The first is that the disadvantages of smallness have disappeared in the modern world. By and large—certainly in the western economy, the free-market economy and the mixed economy—people have access to global markets. We live in a world of free access to marketplaces.

The second argument that is sometimes given is particularly interesting for the debate today. It is that scale can be important in collective understanding of decision making and access to decision makers. Scotland's size means that such access can and should be achieved. We are of the size at which businesses and other interest groups in society can have direct contact with their parliamentarians on a regular and sustained collective and individual basis. In its first eight years, the Scottish Parliament has succeeded in setting that trend. This is an extremely accessible Parliament, so by all means buttonhole John Swinney, Jim Mather, Tavish Scott or any MSP from the various parties that you see around the chamber. That accessibility is at the heart of what the Scottish Parliament was designed to do.

Building consensus is often a challenge in politics, which can be naturally confrontational. Even in this chamber, which was designed to avoid the confrontation that is implicit in the two-

sided arrangement in the House of Commons, we are not going to take the politics out of politicians. Nonetheless, consensus can be reached on aims and objectives, even if a bit of arm wrestling takes place about who takes the credit for what initiatives, where and when. Building consensus is important, and it is important for Parliament to have a pro-business reflex in its attitude to the Scottish economy.

The Government has established a Council of Economic Advisers, who are stellar leading lights in the world of economics. I see one of them—Professor John Kay—who will speak to delegates a bit later. We have two, and will soon have three, Nobel laureates on the council. I hasten to add that the advisers give Scotland their advice unpaid. They are not just people who are resident and active in Scotland: some are Scots from around the world or people who just have an attachment to our nation. A remarkable number of people around the world have a strong attachment to our nation. The council is starting to deliver sound and sensible advice, not just through its meetings every quarter or so, but through its constant input on and challenges to economic policy.

A companion body to the council is the National Economic Forum, whose first meeting was two weeks ago. The forum brings together decision makers from across the Scottish economy—looking around, I can see some people who were present—from companies, major sectors, trade unions, social enterprise, academia and local government.

Our aim with those two new structures is twofold. First, we want to ensure that the Scottish Government draws on the best advice when formulating policy, and receives advice that has an independence of mind and spirit. Secondly, and more important, they form the building blocks and foundations of a long-term partnership and consensus on the development of the Scottish economy—a social partnership.

I can give one example of how such a partnership can originate and develop and of how initiatives can be taken forward. I met representatives from the STUC a few weeks ago. One of the key aspects for trade unions and business in Scotland is training, particularly in what can be a tight workplace environment in many sectors. The STUC said that it had recently met colleagues in the Irish trade unions and was very impressed by the Irish national workforce plan and the engagement that the trade unions have had with the Irish Government in an even tighter labour market. That resulted last week in a Government meeting between the STUC, the Irish trade unions and people who are responsible for the national workforce plan in Ireland to take that

engagement further, to achieve a shared understanding of a key aspect of the economy and to examine how a social partnership model can work in practice in a modern economy.

We draw not just from Ireland, but from Denmark, Finland and Norway, the lesson that strong and sustainable economic growth is built on partnership and consensus. Today's conference and all our subsequent discussions will strengthen the foundations of that shared understanding.

In closing, let me say that our priority today, as members of the Scottish Parliament, is to listen to the voice of Scotland's businesses and, moving beyond that, to ensure that everyone understands that there is a new and closer dialogue on the future of the Scottish economy.

Those of you who attended previous conferences will note that some of the MSP faces have changed. I hope that some of the ideas are evolving, as well. In particular, I hope that the ambition of Parliament, and indeed of the country, is changing. More than ever, MSPs across Parliament and across the parties are determined, particularly in a challenging economic environment, to help business to succeed—not just for you but for the benefit of Scotland. Tell us today and hereafter what Parliament can do for you. I am sure that you will find a willing response in helping you to achieve that.

The Presiding Officer: Thank you for that opening address, First Minister. I am sure that, like me, you found it strange that you were able to make a speech to the Parliament without the torrent of sedentary interventions that normally accompany any of our contributions.

I mentioned in my opening remarks that today is a collaboration between the Government and the Parliament. I am now delighted to ask the convener of the Economy, Energy and Tourism Committee, Tavish Scott, to address the chamber.

09:33

Tavish Scott (Shetland) (LD): Presiding Officer, First Minister, ladies and gentlemen, I, too, warmly welcome everyone to this event, which is jointly hosted by the Government and the Economy, Energy and Tourism Committee.

I thank the First Minister for his words and for ensuring that so many of his ministers are here today. That is particularly important: it is constructive, and it ensures that people from across the Scottish business community have a chance to engage not just with MSPs of all political persuasions but with ministers. Although we MSPs tend to think that we are terribly important, ministers grab a little more attention. That is as it probably should be, as they are the ones taking

the decisions—even in a minority Government, under which, as Alex Salmond rightly said, the excitement can be fairly acute on a daily basis.

For the complete avoidance of doubt, I want to ensure that everyone understood that, although Stephen Imrie—whom I thank for all his work on this event—said that brown envelopes will be passed round, there is no need whatsoever to put money into them. It is important to clarify that in the current climate.

On behalf of the committee, I want to pose a number of questions on the three issues that the Presiding Officer raised: the tourism industry; energy policy; and assessing productivity in the economy, which is a theme that the committee found particularly powerful.

We are here this morning in one of Scotland's premier tourist attractions. It might be hard for some of us to grasp that, but I suspect that people come to look at the architecture—I am not sure that they come to look at what goes on in the building. Some 350,000 people visit this building every year, while roughly 1.5 million people visit Edinburgh castle, which is our top tourist attraction. The Scottish Parliament is part of our tourism product.

My serious point is that, to reach the 50 per cent growth target for tourism revenue by 2015, which business tells us is achievable, we must breach certain barriers. Scotland is making great progress in the cooking, presentation and service of food. Chefs are popular—they are on television and many are role models, although as a father of an impressionable daughter, I say that that is an occasionally scary thought. Chefs are being nurtured, encouraged and trained. However, are we giving people—Scots as well as visitors—the right impression from the moment they cross the doorstep? Yes, to an extent, but there is considerable room for front-of-house improvement. A welcome, whether to a bed and breakfast, a restaurant or a visitor attraction, is a must. The industry is saying that it can do better.

The committee has been particularly impressed by two suggestions for improvements. The first is that there should be a hotel school. There is considerable private sector leadership and initiative in that area, but gaps remain. It has been suggested that there should be a hotel school that makes the case for the industry, flies the flag and says, "Come and work in a real and growing success story." We need to say to Scotland's young people in particular that they should come and work in the tourism industry and be part of something really special.

The second suggestion is that the further education sector and the private sector should take a joined-up approach. Earlier this week,

Shirley Spear from Skye's wonderful Three Chimneys told the committee that she is not contacted by further education providers in the Highlands unless she initiates action. Despite the fact that she has written letters over many years to a wide range of further education colleges and universities, no one is sending her the CVs of their best students or phoning her to arrange work experience. The committee's members were aghast at that. The Three Chimneys, after all, is the kind of business that inspires people. We will applaud action by the Government to encourage, facilitate and drive forward such connections.

There is a deeper message as well. Many further education colleges are doing great things in hospitality in conjunction with local businesses, but some are not, and that has to change. We cannot carry on offering more than 4,000 different courses in tourism and hospitality in our colleges—that must be extremely confusing to an employer who is trying to assess applicants' abilities. Should not public investment in the further education sector be conditional on real, lasting and sustainable work? We will assess that argument.

That connection involves joined-up government at all levels. Why do some of Edinburgh's finest restaurants have to source from Spain or London fresh Scottish prawns that were landed on our west coast? The committee supports Government food policy that tackles such food miles issues. We will make constructive recommendations that will, I hope, help Government and, more to the point, industry. The committee will assess with Scottish business how changes to enterprise and tourism support can help.

On energy, the committee is considering wide policy issues that are being debated not just in our country, but, as the First Minister rightly said, across the globe—from Mayor Livingstone's new carbon charge, which will replace London's congestion charging scheme, to the new European Union energy policy requirement to have 20 per cent of energy produced from renewables by 2020. Javier Solana, the EU's high representative for common foreign and security policy, said earlier this month:

"there is a justified concern across Europe about Russia seeming more interested in investing in future leverage than in future production."

Quite.

Those are big issues, but their impact is very local. There are some uncomfortable issues for politicians to deal with. Renewables are easy to talk up until we are faced with an actual development and intellectually coherent and articulate opposition, which members of all political parties have faced. For some, the N-word is hard to pronounce. Is clean coal really clean? A Lawson—not the chef, but the former chancellor—

argued the other day as a former energy minister that carbon capture might work but only when the technology is proven, which, he says, is 10 or more years away.

I filled up my car in Lerwick on Wednesday night and paid 115p a litre. Last week, I put 600 gallons of paraffin into a domestic heating tank: the bill was £1,054. The issues relate to geopolitical energy policy, but the committee believes that what that policy means for business and consumers across Scotland who are facing unprecedented hikes in energy costs also matters and must be considered. We are seized of the seriousness of the issue, but it seems to us that, in an ever-growing carbon economy, there is a real incentive for business to invest in energy efficiency, if costs are so demonstrably set to rise.

I turn to the issue of international trade. Scottish exports in 2005 were worth £18.6 billion. Despite problems in some sectors and the strength of the pound versus the dollar, I believe that exports and our ability to trade are critical issues that the Government must address if it is to meet the growth targets that the First Minister described. The primary responsibility for encouraging exports and international trade lies with you—with business across Scotland—but Government can help.

Let me read you a recommendation from a report that was produced by one of Parliament's committees in the previous session. All members of the then committee agreed that ministers should

"take further steps to ... coordinate more trade and cultural missions alongside Ministerial overseas visits."

The lead for the report was given by the committee's convener, John Swinney, who is now the Cabinet Secretary for Finance and Sustainable Growth. I agree with him on that point and am confident that colleagues from all parties share my view. We will encourage ministers to take trade delegations as part of their entourage on foreign visits.

I read with interest the comments of the Government's new counsellor in North America, who told a parliamentary committee:

"It is great to go to the USA for tartan week or tartan day and it is great to celebrate our culture there, but it would also be good to do some business at the same time."—*[Official Report, European and External Relations Committee, 5 February 2008; c 383.]*

The Economy, Energy and Tourism Committee will be the first to support John Swinney in any efforts that he and his ministerial colleagues make to organise trade delegations around the rebranded Scotland week. I am sure that there would be business support for increasing rapidly the number of ministerial-led trade missions. If the Prime Minister can go to China and India, as he

did recently, surely our Government should do the same. These days President Sarkozy makes the news for many reasons, but his international sojourns are inextricably linked to French trade interests.

I raise the issue of connectivity. For our businesses wanting to trade overseas, for companies wishing to visit Scotland and for the tourist more generally, the ability to come to Scotland directly is vital. I am proud of the previous Government's record in establishing the route development fund. Although we must not forget alternatives such as the train and other forms of public transport, direct flights into and out of Scotland are critical for business. The issue has been raised with the committee again and again during its tourism inquiry.

Yesterday, in *The Scotsman*, Niall Stuart of the Scottish Council for Development and Industry highlighted the fact that nearly 90 per cent of all international tourists arrive by air, spending more than £1.4 billion when they are here in Scotland. I am also confident that Scottish Development International's success over recent years in securing nearly 60 inward investment projects, worth more than £313 million, had a lot to do with increased and improved connections. Speaking personally, although I understand its decision, I hope that the Government will reflect on the demise of the route development fund and consider carefully what alternatives can be put in place to achieve the same objective.

Finally, I turn to the issue of productivity. The Presiding Officer was right to mention an event that the Economy, Energy and Tourism Committee hosted jointly with the Education, Lifelong Learning and Culture Committee and the STUC. We invited a range of people to tell us about people: how to motivate them, how to give them ownership of their future and how to make them an essential part of the business. The introduction to the day looked like it was straight out of a management text book that I used to know cover to cover in study days, but the outcome was inspirational.

Graeme Waddle, the business director of Rolls-Royce at East Kilbride—he is here with us, so I am sorry if I embarrass him—described how the business of overhauling jet engines for the military and civil aviation industry has been transformed at East Kilbride. He did not describe the transport between Prestwick and East Kilbride, and he did not talk about infrastructure, regulation and all the other evils that he no doubt faces. He just talked about the people in the business: the support and mentoring of work teams; the weekly meeting involving the director and a cross-section of staff; the no-blame culture; valuing people; creating a sense of purpose; and having a real ability to

make people work to their full potential. He was also refreshingly blunt: he said that some managers could not cope with the change and left. However, many stayed, changed and worked. East Kilbride is now challenging all the industry's leading numbers on time for overhaul, which is money for that business. It comes down to the drive, initiative and commitment of the people in that business.

"Yes," you say. However, the lessons that we as a committee learned that day can apply in so many other places—there are lessons even for politicians. The Economy, Energy and Tourism Committee and this Parliament are yours to be used for the benefit of Scotland. Let us see what we can do together.

The Presiding Officer: Thank you, convener. Those of you taking part in discussion session 4 will have the opportunity to quiz Mr Scott, as he is co-hosting that workshop.

We are fortunate and privileged this morning to have with us three key people from the business and economic community. They will give us views from their particular sector within that community. The first is Ian Marchant, who, as I am sure you will all know, is the chief executive of Scottish and Southern Energy and chair of the climate change business delivery group. I am pleased to invite him to the podium.

09:46

Mr Ian Marchant (Scottish and Southern Energy): Presiding Officer, First Minister, ladies and gentlemen, thank you for that welcome. The First Minister said that today was the first time that he had addressed the Parliament from this position. Well, this is the first time that I have addressed anyone in this auditorium, and the first time that I have had the privilege of speaking to so many politicians and business leaders. I apologise in advance because you will not get the skilled oratory that you have just heard from the two previous speakers.

I feel passionately about sustainable development. I believe that every society and economy needs to consider how it develops. The best and simplest definition of sustainable development that I have seen is that it is

"development that meets the needs of the present, without compromising the ability of future generations to meet their own needs."

That is relatively simple, but are we achieving it?

Sustainable development throws up many key challenges for a society such as Scotland. There are economic questions about ensuring that we provide good-quality employment for our people. There are political questions about the stability of

our political institutions. There are societal issues about the dispossessed and the poor, and social justice issues. There are also obvious environmental questions about what we do with the resources that we have.

As you would expect, I want to focus my remarks on the last area. My first point is directed at the business community. You and your business have a role in the environmental aspects of sustainable development. However, you need to think about what is important to your business—please do not just jump on the carbon bandwagon. Your carbon footprint may be the most important aspect of the environmental impact that you have on society, but it may not be—the amount of waste that you produce, or other things, including land pollution and air pollution, may be more important. You need to think about the environmental impact of your business, and not just focus purely on carbon. Having said that, carbon is obviously one of the most business critical issues that we face.

I am chairman of the climate change business delivery group, and we very much want to focus on delivery. My second message to business is to focus on delivery. It can be simple stuff, such as the use of homeworking or thinking about the journey to work. The group had an interesting presentation from Sun Microsystems, which measured its carbon footprint from the time the employee left their house in the morning to the time they got back home, because the journey to and from work is part of the carbon impact that we have on society.

How do we get people to share their cars? That is an interesting psychological and sociological question. People think that their car is an extension of their house—it is their space. That explains why people pick their nose at traffic lights: they think they are in their living-room. That is why you do not share a car on the way to work, even though you probably drive within 50yd of someone who is going to the same office.

We also need to think about the built environment. You all waste energy in your properties—at home and at work. I do not how much, but I can tell you that you all waste energy, so you should start thinking about that.

You should also start thinking about customer and staff engagement on sustainable development and about the boundaries between your business and other businesses. In the future, businesses will have to collaborate a lot more as they start looking at their ecological footprint. Those are some messages for businesses.

I now have some messages for politicians—I will again focus on energy. I will quote one of the ministers here today. At the end of January, Jim Mather said:

“There is no doubt that this country can become the green energy capital of Europe.”

He may have no doubt that this country can do that, but I have major doubts that it will.

Let us look at where we are. According to European Union statistics, the United Kingdom produced 1.5 per cent of its energy from renewable sources in 2005 and was ranked 25th out of 27 countries—we beat Malta and Luxembourg. I woke up in the middle of the night thinking that you would say, “Ah, but that is the UK,” so I spent the first hour and a half this morning on the internet at home, trying to work out what the equivalent figure is for Scotland. I reckon that, in 2005, Scotland produced 4 per cent of its energy from renewable sources, under the EU definition. We managed to overtake Belgium, Ireland, Cyprus and the Netherlands, and are equal with Hungary, so we are 20th out of 27. We have the ambition to be number 1—to me, that is what being the green energy capital means—so we would have to move from being number 20 to being number 1. That is a real challenge.

The easiest technology to deploy now is wind, and the UK installed 427MW of wind-generated capacity last year. I could not find the split between England and Scotland in the time that I had available, given my fairly low internet capability, but even if most of that was in Scotland, it is still only 5 per cent of capacity that was installed in Europe last year. Yet this country has between 25 per cent and 40 per cent, depending on which measure is used, of the wind resource of Europe.

The total installed wind-generated capacity in Scotland is 1,167MW. That sounds good, does it not? Last year, Spain installed that amount of capacity in four months—but it has taken us 40 years.

We have just bought a company called Airtricity, which is involved in wind farm developments throughout Europe and the world. Its chief executive said to me that he finds the UK to be the most difficult place in the world to deal with in relation to planning. We have a wind farm development that has been in the planning system for five years. If a business took five years to make a decision, it would not be a business, would it? You do not have the luxury, in your business, of taking five years to think about a decision.

Therefore, Jim Mather’s claim that there is no doubt that the country can become the green energy capital of Europe is the equivalent of my standing here, with an office based in Perth, and saying that there is no doubt that within the next 12 years St Johnstone will win the champions league.

What do we have to do? I think that successful businesses need to be good at four things: you need to have good leadership and a good strategy; you need to have good management and the ability to make the right decisions at the right time; you need to have delivery mechanisms that ensure that those decisions get implemented; and, finally, you need to have accountability. Those are the four traits of success that a business needs. They are the same traits of success that a political society needs.

How do we score? Let me give credit: I do not query the leadership and strategy. Aiming to generate 50 per cent of energy from renewable sources by 2020 is absolutely the right thing to do. I have no problem with the leadership and strategy, so we should stop worrying about them and stop doing more on them. I have worries, which the ministers share, about the management of the process that we go through in Scotland—the relationship between Scottish Natural Heritage, the Scottish Environment Protection Agency and the local authorities. We need to improve the speed of our decision making and the environment in which we make the decisions.

However, the real issue is delivery. That is where we are failing in Scotland. We have the leadership and are sorting out the management, but are we really focusing on delivery? My plea to Tavish Scott is for his committee, when it kicks off its investigation, not to bother looking at 2020 targets or debating nuclear versus renewables. Instead, the committee should just take the 50 per cent target as given and focus on what is preventing delivery today and what it can do to unblock that. I will make a simple point: do we have the right level of resource in our local authority planning departments and in the Scottish Government to make decisions quickly? Do we have the right investment climate for things to happen? How do we become the best place in Europe to invest in?

We need to focus on delivery and accountability. As the chief executive of a publicly quoted business, I have to account for our leadership, management and delivery every six months. That is how I am held to account. We report our results in November and May. In our political process, accountability seems to be broadly split between tomorrow's newspapers and the election. On issues such as renewable energy, we should focus on six-monthly and annual reporting. I know that the Climate Change Bill talks about that, but I am not talking about annual targets; I am talking about annual accountability. How are we getting on? Are we on the right trajectory? I urge a focus on that.

We do not need more of the vision stuff. We need everyone to work together and we need to

realise that we must raise our game in management, delivery and accountability. I think that it was Einstein who defined insanity as continuing to do the same thing and expecting different results. If we are to expect different results—which is what moving up the league table means—we need to do things differently, not speak about things differently.

Let us move from the era of rhetoric to the era of delivery. Let us move from the era of visions for the next 12 years and into delivery in the next 12 months.

The Presiding Officer: Thank you very much for that contribution, which has set what I suspect will be a typically challenging tone for many of those taking part in the rest of the day.

In my opening remarks, I mentioned Scotland's Futures Forum. One of the board members of that forum is our next contributor. She is unwavering in her commitment to the board of the forum, as she is in the many other roles that she plays. She is best known, I suspect, as the chief executive of Lloyds TSB Scotland, and I have great pleasure inviting her to the podium now. She is Susan Rice.

09:59

Ms Susan Rice (Lloyds TSB Scotland): Presiding Officer, cabinet secretary, ladies and gentlemen—it is my first time too. Over the past few years, I have found myself talking about the future of banking at conferences not only in Edinburgh, Glasgow and London but in Paris, Sydney and Shanghai. Interestingly, bankers in all of those places are focused on the same issues, developments and challenges within the sector. It is the same industry around the globe. Various themes run through my presentation: convergence around sectors such as banks and telecoms; customisation; security; new markets and the unbanked; technology; and the move from a supply-led to a demand-led economy. Above all, my presentation deals with globalisation, and expansion and consolidation within the industry.

Rather than start with my sector, however, I start with a challenge to a conventional wisdom—a wisdom that has dominated our economic thinking for several decades. Yale University in America, where I used to work, recently suggested in its publication *YaleGlobal* that the developed world is starting to have second thoughts about the value and sustainability of globalisation, even after reaping the benefits for decades. It is not the failure of globalisation that is driving discontent, but the success. Emerging countries are challenging the status quo and beginning to prosper in their own right. The markets are open to them too. It is no longer just our show—it is a two-way street. Beijing and New Delhi, with their large

populations and low-income, low-cost economies have become serious global competitors and are seen by some as a threat to wealthier countries. The public is starting to take that view, as are politicians. In the US primaries in the autumn in Iowa, New Hampshire and South Carolina, anxiety about the loss of US manufacturing jobs was a major campaign issue. Manufacturing is the biggest sector in those states, where textiles and furniture face significant overseas competition.

However, the service sector is a big concern as well. Service jobs are easily transferred. We have all seen developed countries benefiting from low-cost labour by taking call centres and back-office units offshore. Equally as portable are trade and commerce in finance, law, information technology, communications, education and even some aspects of medicine. A few years ago, I read that those sectors, taken together, comprise around two thirds of global output and account for about a trillion dollars a year in so-called weightless exports from the mature economies. I mean both "weightless" and "without wait", as they are products that have no physical substance or weight, and they are delivered instantaneously. Here again, though, the balance is changing. The McKinsey Global Institute estimates that such weightless activity will employ about 1.5 million people and account for about 7 per cent of India's gross domestic product by the end of this year. Our goods have been manufactured more cheaply overseas for a long time, but now not only can our services be delivered to markets overseas, they are being created there as well—it is a two-way street.

Because of those changes, wealthy economies feel more exposed to international competition and some are therefore more ambivalent about the case for open markets. It is, "It's the economy, stupid," all over again, but perhaps with a different edge from the 1990s, when we first heard that refrain. Changing attitudes to globalisation today do not just stem from economic concerns—they are about the environment as well. China, India and other growing economies represent massive competition for resources, many of which are non-renewable, just at a time when the call to address climate change is taking centre stage. Although the carbon in the atmosphere today is overwhelmingly a legacy of the industrialisation of wealthy countries, it is believed that China will soon overtake the US as the largest emitter of greenhouse gases—if it has not done so already. The challenge of finite resources has been around at least since the time of Thomas Malthus and his 1798 work, "An Essay on the Principle of Population", but never have our minds been so sharply focused on the scale and impact of the issue as now.

So, with that undercurrent of concerns about globalisation, will we see any retreat? That is not likely, in part because it is a two-way street. We might see less economic benefit than we did a few years ago, but others are just getting into the game and they have everything to play for. Retreat is not an option. We cannot turn our back on what is happening all around us. Globalisation is here to stay, although we may see a shift in how we engage in the global economy. On international trade, for example, the US Congress is crafting bills that threaten punitive sanctions in the face of China's exchange rate regime and the ballooning bilateral trade deficit. Some economists warn of tit-for-tat trade sanctions.

On climate change, many nations are responding to the challenge. We are leading on that with a target to reduce carbon emissions here in Scotland by 80 per cent by 2050. China has announced a climate change action plan that proposes to reduce its energy usage by a fifth by 2010—in a couple of years. However, determined though it is to tackle climate change, China says that it will not do so at the expense of economic development. The challenge for us all is how we do both.

Why am I talking about the changing nature of globalisation and the impact of climate change at today's conference? Like it or not, we live in a global economy in which things are never static. Wealthy nations—of which we are one—need to figure out how to engage, even as the ground shifts, so that they can keep growing. All nations—wealthy, emerging or still developing—are feeling the pressure to face up to environmental challenges.

How can Scotland ensure that it addresses environmental and social impacts while achieving economic growth? We should not underestimate the scale of the challenge. The business community should not think that the issue is just for Government to solve; this is an issue for us all. To prompt the debate, let me refer to a business strategies report that I saw a couple of years ago. That report posited that the hallmarks of a successful city include the way in which companies and people can use the physical space available, which means intelligent planning; links with the wider region and the world beyond; a successful image, a sense of purpose, a brand name and brand values; quality of life in education, training and housing; diversity of both businesses and people; a critical mass of businesses that outperform their peers elsewhere; and robust rather than cautious growth. Those factors could just as easily apply to countries. Which boxes does Scotland tick? What do we need to do better?

The financial services sector, in which I work, is one of Scotland's most successful industries, generating around £7 billion in GDP and employing 108,000 people. A key factor in the creation of that success has been Scotland's connectivity and its proximity to other major financial centres—not just London but, increasingly, financial centres elsewhere. Scotland gets a tick in the box for links to a wider region.

As Scotland's financial services sector is disproportionate to the size of our economy, access to other markets—whether national, European or global—is crucial for our on-going success. Think of the international links that our financial services firms already have: RBS and Standard Life with China; Clydesdale Bank and HBOS with Australia; Lloyds TSB with South America and the middle east. In addition, most firms have interests in the States.

One challenge for Scotland, in this industry and others, is to keep companies here that do business all over the world. We want them to enter new markets, to diversify their portfolios, to spread their risks and to gain access to new customers, but we want them to do that from here. Such activities will lead to sustainable growth not just for those businesses but for us as a country.

In financial services, a number of factors are shaping the industry. Margins are getting ever tighter, so efficiency has never been more important. The transparency that is created by a ubiquitous online presence means that, if we are to be successful, we need to offer products that stand out in the way that they connect with the customer. We face competition from international players entering our domestic market—remember that globalisation is a two-way street—so, as our domestic market becomes saturated with financial services players, we need to figure out how to compete and how to protect and grow the customer base in our home market. Therefore, we start to innovate.

Some of us also look to overseas markets such as China or India, where large swathes of the population are just coming into the banking population. We need to be able to spot the possibilities in new markets—whether at home or overseas—so that we can deliver our efficiencies and technologies to new populations within those countries. Doing that at home can help us to learn how to do it elsewhere.

What the financial services industry in Scotland needs so that it continues to thrive is not radically different from what it needed five or 10 years ago. As I have illustrated, we need connections to markets, a skilled workforce, a cluster of activity and a business-friendly environment—some of the hallmarks of success that I cited earlier. However, while the challenges may be similar to those of 10

years ago, our approach is a little different today. Through the financial services advisory board, people in the industry now work in partnership with Government, the wider public sector, the trade unions and each other to address matters such as people and training, communication, connections and other shared issues that the sector faces.

Our aim is to ensure that, in 10 or 20 years' time, firms are still choosing to invest and grow in Glasgow, Edinburgh and Aberdeen as well as in Frankfurt, Zurich or Mumbai. People in the industry here are working together and share an ambition for Scotland to be a pre-eminent global financial services centre. It is a different approach, based on the coming together of unlikely partners, all thinking about how Scotland and the financial services industry can thrive locally and engage globally.

In another of Scotland's successful industries, the oil and gas industry, which comprises a critical mass of businesses that outperform their peers elsewhere—by the way, that is another tick in the box for Scotland—we see a similar trend. Aberdeen and the north-east have set themselves the ambitious target of being the energy capital of the eastern hemisphere—I did not say that incorrectly; I did not mean to say Europe, I meant to say the eastern hemisphere. Now, that is ambition. They recognise that achieving that status will require energy firms, suppliers, research institutes, enterprise agencies and Government to work together. Part of their ambition is to add to the number of head office functions in the area and, as a result, increase influence, decision-making capacity and prestige throughout the industry in this country. That is why attracting and retaining head offices should be high on the agenda, right across Scotland.

The north-east is also looking to promote increased diversity in its business landscape—another tick in the box. A diversity of other industries in Aberdeen will continue to make it an attractive location for the executives in oil and gas. As with financial services, for the firms operating in Scotland in this sector, global reach and access to markets are critical for their on-going success. Diversity within oil and gas also means embracing alternative sources of energy as we look to tackle climate change. The alternative energy industry may be somewhat small today, but it will continue to innovate and find new markets and, gradually, increase its importance in the sector. Think of what is happening with tide and wave power and with biofuels and of what could happen with carbon capture.

Oil and gas companies are starting to cross lines to work with players in the renewables world—perhaps an unlikely partnership but one that makes a lot of sense. Aberdeen's ambition is to

lead those points of crossover on the back of the cluster of energy companies there—small innovators, larger service companies and huge multinational users, all working together.

Those are two successful Scottish industries, neither resting on its laurels, each thinking ambitiously about its future and, often, doing that in partnership with wider networks. For both, future success will be in part about responding to competition with innovation and by exploring new markets at home and abroad. The challenge for Government and business is to have the right platform in Scotland to support our businesses to develop here and reach out globally.

That leads me to infrastructure. We know that there is a need for even better connectivity, so that it is easier to do business within and from Scotland. Businesses are often best placed to link economic success and good infrastructure, whether that involves transport, communications or planning. We need to think, for instance, about the balance between environmental and economic considerations in transport because, again, those issues go hand in hand. There is a challenge to our politicians to ensure that they engage meaningfully with the business community on those issues and a challenge for us in the business community to ensure that we vocalise our ambitions.

Another element of getting the infrastructure right is about people and skills and the regulatory framework. Businesses are used to tackling big, strategic issues, whether we are talking about an energy company such as Scottish and Southern Energy, which is finding new and better ways to exploit renewable energy sources; a small business that wants to break into a new market; or a bank, such as mine, which is thinking about how we can help to tackle climate change through our investments in our customers and our own people.

Underpinning every one of those activities must be an environment that educates people and encourages lifelong learning and in which law and regulation are supportive. Getting that environment right will lead to productive competition, innovation, healthy risk taking and a commitment to social issues at home as well as in markets opening up abroad.

At the end of the day, perhaps what matters most is the quality, skills and size of our workforce. Innovation fuels economic growth, but we do not have innovation without skilled and educated people who work in businesses and are free to respond to competitive, environmental and social pressures in new ways.

I was going to close by reminding everyone how we all came to have personal computers on our desks and, indeed, in our pockets. Thirty years

ago, IBM decided that there was not a big enough market to make it worth developing a desktop computer. It had studied the matter and dismissed the concept. In those days, computers were from the world of the cumbersome and technical. Those factors were inhibitors. Bill Gates came along, and saw the cumbersome and technical as hurdles to be overcome, not as factors that were hard-wired into the computer experience.

However, instead of going through that story in detail, I want to say something that I just learned about last night. Teknek is a Scottish firm based outside Glasgow. It produces a specialist cleaning component that is used in electronics factories all over the world, which helps plasma television screens to function. Teknek manufactures the product here and sources nearly all its material within a 50-mile radius of its plant, yet 98 per cent of its product is exported, two thirds of it to Asia. The company holds a 75 per cent global share in its sector and it has ambition—to double in size over the next four years.

I am sure that, along its journey, Teknek has heard the objection, “Oh, that’s just too difficult to do.” It did not accept that. Engaging in global markets, tackling climate change and solving problems at home in a way that can be replicated elsewhere might also be put in the “too difficult” box by some people. The reality, however, is that we all have to think in that way if we want Scotland to achieve sustainable economic growth. That will happen if, while we carry out business at the highest standard, we successfully address its impacts on society and the environment, we have a skilled workforce who want to live here and, above all, we have ambition.

The Presiding Officer: Thank you for that equally challenging contribution, Susan.

Our final speaker in this morning’s opening session is a visiting professor at the London School of Economics and, as the First Minister mentioned in his speech, a member of the Council of Economic Advisers. We are equally privileged to ask Professor John Kay to address us.

10:17

Professor John Kay (London School of Economics and Council of Economic Advisers): It is my first occasion talking in the Scottish Parliament, too. If I feel slightly less nervous about it than Ian Marchant or Susan Rice did, that is to do with the slightly odd thought in my mind that all my first experiences in public speaking were with the debating society that met in the hall of the old Royal high school, which came within an ace of being the debating chamber in which we are speaking today. However, it was

not so, and I have come to this Miralles building instead.

The First Minister has said that we need to take a fresh look at Scotland's economic performance. As he said, one of the measures that he has taken in order to do that is to establish the Council of Economic Advisers, of which I am privileged to be a member. The First Minister somewhat detracted from my pleasure in that by saying that, if we put all the economists in the world end to end, they will not reach a conclusion. Since, as we all know, the First Minister was himself an economist before he was translated to higher things, we may include him in the group of people whom he was disparaging. It is not really our job to reach conclusions. It is our job to undertake analysis and to think about the way in which that analysis can be translated into possible points for action. This morning, I want to share some of that analysis and point towards some of the actions to which I think it leads.

The first thing that I have learned in looking at the macroeconomic data about the Scottish economy over the past year is that, if one compares Scotland with the rest of the UK, the similarities in economic terms are, in many ways, more striking than the differences. Scottish productivity and living standards are, on average, not very different from those of the UK. The economic cycle has historically affected Scotland much as it has affected the UK. The economic structure of Scotland does not look markedly different from the norms of the UK, in terms of either the contribution of different sectors to the economy or the size of enterprises.

That is in itself an interesting set of observations because, like the UK, Scotland has a fairly large number of small and medium-sized enterprises but, in comparison with other continental European countries, Scotland and the UK do not have so many large medium-sized businesses, as it were. By virtue of the centralisation of the UK, Scotland is also lacking in corporate headquarters of rather large businesses, as Susan Rice mentioned.

As a whole, Scotland's performance does not look markedly different from that of the UK, in the way that the performance of Northern Ireland or Wales does. In the past decade or more, Scottish growth has on average been about 0.5 per cent less than that of the UK, but the difference largely matches the slower population growth in Scotland relative to that in the UK. That in itself is an issue, as the First Minister and others have mentioned. An important part of improving Scotland's economic performance will have as a driver and a consequence an improvement in the growth rate of the Scottish population. However, on the overall

economic indicators, we are not doing all that badly.

That means that, for the next three or four years—the short term, with which some of our work is concerned—the main challenge in meeting the aspiration of increasing Scotland's growth rate to the UK average is to offset the population issue by raising the Scottish growth rate by about 0.5 per cent. In the present climate, that means largely surviving a world economic downturn rather better than the UK as a whole does. I believe that, in that economic downturn, we are seeing a world in which the financial services sector, which has major problems, is almost talking the rest of the economy into a recession. That is partly because it is preoccupied with its perceptions and partly because that is the mechanism by which public authorities are being induced to bail out the financial services sector. We can do better in Scotland, in the first instance, by understanding that process and through the business community being more resistant to it.

Although Scotland's economic performance does not look that bad relative to that of the UK, it does look unsatisfactory relative to performance in what the First Minister and others have called the "arc of prosperity"—the small states of western Europe that have had the best economic performance among advanced economies for a longish period. The economic performance of those countries is based typically on clusters of internationally competitive industries in specialist areas. In Scandinavia, Sweden and Finland have clusters in telecommunications and Denmark has them in agribusiness and pharmacology. In Switzerland, the clusters have been in speciality chemicals and precision engineering. Iceland has shown dramatically the impact of globalisation—if a country lives only on fish and does not participate in the world economy, it is poor, but if it globalises into the world economy, it becomes very rich. Iceland epitomises the phenomenon. Specialisation has enabled small states to become, through globalisation, the most prosperous states in the world. That is the way in which we need to think about an approach to the development of Scotland's economic performance.

If we consider Scotland's economic performance historically, we see that the golden years of the Scottish economy—Scotland's amazing economic success in the 18th and 19th centuries—was in essence built on clusters of activities in trade facilitation and in transport industries, such as locomotives, steam power and shipping. Those clusters, operating in a global economic environment, made Scotland a prosperous and successful country. One of those clusters, the transport cluster, died completely in the course of the 20th century. The other continues, primarily in the form of Scotland's financial services industry.

We have asked in which sectors Scotland might reasonably have aspirations to be a major player on the world stage in the ways that I have described. This morning's discussion sessions relate to the sectors of industry that naturally suggest themselves as those in which Scotland has to some degree, and may hope to develop to a greater degree, comparative advantage. Financial services are currently Scotland's strongest sector. Other sessions will deal with energy services and life sciences. For 200 years or more, Scotland has led the world on aspects of medical technology, but historically our success in translating that into commercial enterprises has been quite limited. There will also be sessions on what we broadly call the creative industries and on industries around agriculture and food and drink. Those are the natural activities in which Scotland has competitive advantage. In the rest of the morning and, I hope, in the work that I have described, we will work through what Government can do and how it can relate to business in the development of those sectors.

I am describing a policy that many people would call picking winners. I am unashamed about saying that it is about picking winners. The phrase "picking winners" has a bad reputation because the things that were picked in the past were not winners. We should identify things that are winners and ask what we can do to support and develop them. There is nothing wrong with picking winners—that is what successful people do in business, as well as at the races. Let us get on with picking winners.

At the opposite end of the spectrum, when looking at Scotland's economic performance one cannot fail to be struck and depressed by the pockets of deprivation that we observe in the Scottish economy. The issue has jumped out at the Council of Economic Advisers. Such pockets of deprivation depress the average for Scotland, but even if they did not do so by much, they would be a serious issue in their own right. On any social or economic indicators, there are areas of Scotland that are worse than the rest of the UK and much worse than most of western Europe. We all know where those areas are. We also know that, for decades, people have sought to address the issue, so far with relatively limited success.

I have no magic bullets to offer, but we must focus on the problem. Most of all, we need to replace a culture of defeat and complaint with a culture of aspiration. That will involve everyone in the chamber expending resources of time and money, but we should be clear about the fact that it is not principally a problem of time and money—much more is required to tackle it.

That brings me back to a broader theme. All the issues that we are discussing are our

responsibility. I have talked about Scotland's economic performance and about how Scotland's spectacularly successful historical economic development was based on clusters of activities around transport and trade facilitation. I have talked about how we may develop the remains of those clusters and new clusters to achieve that kind of prosperity. However, we should have no doubt that we in Scottish business created our past prosperity, and that we in Scotland also destroyed our competitive transport industries.

The most important point that I want to emphasise this morning is that, although sustainable economic growth is reflected in the kind of economic aggregate figures that economists routinely talk about, such growth is actually built on the performance of individual businesses. As a result, this kind of dialogue with each other and with the Government is important in taking Scotland's economic performance further, but I hope that the kind of analysis that we can contribute of what has happened in the past and what can happen in the future might provide some illumination as we take forward this exercise.

The Presiding Officer: I thank Mr Kay very much indeed for finishing off this morning's contributions.

I said at the outset that I felt greatly privileged to chair the opening session of this event. Now that I have heard those speeches, I feel even more so. As I am sure you will agree, the sheer quality of each and every one of them has got this conference off to the very best possible start, and I ask you to join me in thanking all the contributors in the traditional manner. [*Applause.*]

Ladies and gentlemen, it is now your turn. You are about to go to the discussion sessions that are being held in seven rooms that have been made available in the Parliament. However, I ask you to keep your seats for a few moments after I have left the chamber to allow Stephen Imrie to issue a few housekeeping instructions.

It is my pleasure to close this opening session. I look forward to seeing you all back here in a couple of hours' time.

10:31

Meeting suspended.

12:24

On resuming—

The Presiding Officer: Welcome back to the debating chamber after what, I am sure, were fruitful discussion sessions—or communion sessions, as they may be called in the future. We

now have the opportunity to draw everything together and have an open forum. Before we proceed to that, I offer the chairs of each discussion group the opportunity to give a brief summary of what was discussed in their group, so that all delegates will have a flavour of what took place in the various groups. I ask them to restrict their remarks to about two minutes each.

We will hear from each group in the order in which they are listed in delegates' papers. John Brown, who is the chairman of Scottish Biomedical, was the chair of the group on achieving sustainable economic growth in the life sciences and biotechnological industries. I ask Mr Brown to come to the podium to give us a brief report.

Mr John Brown (Scottish Biomedical): The life sciences sector in Scotland is a very broad church. It is constituted of 600 organisations that employ about 30,000 people and have revenues of about £3 billion. Those organisations range from multinational companies such as GlaxoSmithKline to small start-up companies that are developing new drugs, service businesses, manufacturing businesses such as Intercell Biomedical, and companies that produce medical devices and reagents. What unifies the sector is the human capital—people who have had a training in science—so a lot of our discussion focused on the supply of human capital.

We discussed the need to enthruse children at school about the opportunities in science, how we can get out of schools and universities people who are well trained in the arts of science, and how we can retain them here. It is important not only that we can offer opportunities in companies, but that we ensure that people who are enthused do not disappear with that quantitative training and become chartered accountants, surveyors, general managers or that sort of thing.

We also want to find ways in which to attract stars back to Scotland. I mentioned at the start of the first session the Irish strategy of saying that they will all come back in 10 years. We need to ensure that people do come back; it is not enough just to have a great climate. Our industry is characterised by the fact that a lot of the smaller companies are very high risk. If someone wants a low-risk place to carry out high-risk business, they need to be in a cluster. We want Scotland to be seen as a cluster; we do not want regional rivalries.

There are 5 million of us—there are fewer Scots than there are people in Boston. Jack Perry made the point that the latest census in Shanghai had a margin of error of 5 million, so, our population is about the size of the error in the Shanghai census. If we are ever going to compete, our competition will not be Switzerland, Germany, France and the

US; it will be city states such as Singapore and cities such as Boston. If we are to be a successful cluster, we need the human capital. We also need the scientific institutions—the universities—to be extremely well funded, so that we can have the stars here who bring in grant money and collaborators and make our universities science destinations. If we get top-class people, we will be able to spin out intellectual property that we can commercialise here.

On the issue of commercialising things here, Scotland does not yet have fiscal powers, but we can use procurement as an interesting lever to stimulate economic growth. The point was made by several members of the group that it has been hard to sell into their home market, which, by and large, is the national health service in Scotland. That is not the fault just of Scotland; it is the fault of the bureaucratic structures that have built up in procuring according to annual budgets in silos and to the lowest cost. If we are ever going to stimulate innovation, we must move to procuring a solution that is measured in health benefit terms, perhaps outwith the standard 12-month annual budget cycle.

The Presiding Officer: Thank you, John. Keith Mitchell of Clyde Blowers, chaired the group on achieving sustainable economic growth in the energy industry. I ask him to sum up the group's discussion, please.

12:30

Mr Keith Mitchell (Clyde Blowers): It was clear from our discussion that the energy sector in Scotland and throughout the world is currently very exciting and that there are many exciting opportunities for businesses in Scotland to take advantage of. We spent a lot of time discussing the huge opportunity that is presented by the renewables sector in Scotland and overseas.

We considered three main topics, the first of which was how Scotland could promote technology development and innovation. We heard a number of interesting ideas and comments on, for example, the importance of investing heavily in research and development during this positive economic period.

There was a debate about whether we should create a domestic market for assisting technology development, and reference was made to state-funded projects to aid innovation. We also discussed whether it was necessary to develop our new technologies from scratch in Scotland or whether we could instead take ideas from around the world and use partnering and joint venture opportunities to bring new technologies into Scotland and develop them further.

Secondly, we considered the challenges of

human resources and of encouraging people to take up careers in the energy sector. One delegate said that manufacturing was sexy. I do not think that I went into the engineering sector because it was sexy, but it is an interesting thought.

We must promote, market and brand the sector much more positively than we have done in the past. Moreover, we should think about how lifelong learning can be used to bring people from other sectors into the energy sector or to encourage them to switch sectors. We also considered the quality of teaching and the importance of the private sector in taking up some of the mantle with regard to education.

Thirdly, we discussed business sustainability and competitiveness, which took us back to a couple of points made in the earlier debate on the importance of investing in our products for the future and of creating an indigenous market in Scotland in order to learn our trades and develop our products.

The Presiding Officer: Thank you. I invite Owen Kelly, the chief executive of Scottish Financial Enterprise, to tell us about his group's discussion, which was on achieving sustainable economic growth in the financial industry.

Mr Owen Kelly (Scottish Financial Enterprise): I suppose that I would characterise our quite sparky but very constructive discussion as optimistic but realistic. Drawing heavily on threads that emerged from this morning's very interesting speeches, we covered three themes, the first of which was customers. We looked at how recent events in the industry have affected confidence and, just as important, how Government and industry can work together to improve financial capability—or, in other words, customers' understanding of the financial services sector and the services that it offers.

We also had a pretty lively discussion on skills. We generally agreed that moves to align training and education with the needs of the economy must be given a strong push. Everyone welcomed the personal commitment by the Cabinet Secretary for Finance and Sustainable Growth, John Swinney, to drive that forward.

Finally, we drew heavily on Susan Rice's speech to discuss globalisation, which everyone saw as a clear opportunity. There was a common feeling that the way forward lay in coupling the international trustworthiness of Scotland's financial services brand with our success in innovation.

We concluded our discussion with a vivid description from one participant of what had gone into winning back some customer contact business from India. He told us that, within a few days of his succeeding in doing that, several

companies in India approached him to learn about his success and what they could draw from it. We took that as a harbinger of continued success, but also as a clear signal of the growing challenges that Scotland faces.

The Presiding Officer: Thank you. Discussion group 4 focused on the tourism and food and drinks industries. I ask Allan Burns, who is the chairman of Scotland Food & Drink, to give us his summary.

Mr Allan Burns (Scotland Food & Drink): Thank you, Presiding Officer. Our group was big and lively. When the First Minister spoke about the factors involved in success, he talked about human capital, economic advantage and the economies of attitude. We had a lively debate about the importance of having a can-do attitude and increasing our capacity to look for opportunities for success rather than just barriers. One of the key things for the food and drink and tourism industries is how we propel ourselves into having that can-do attitude.

We also talked about some structural things in Scotland, including the routes that we need to get people into and our products out of Scotland. We discussed the need for good routes by rail, boat and train to get people to come to Scotland. That is important for our future.

We spent some time talking about leadership, partnership and consensus. One of the most important things is to provide strong leadership without being autocratic. The group discussed whether developments should be led by the industry or by Government, and believed that they should be led by the industry with good support from Government. That was a cheering note. We heard heartening words about some work in Bathgate, where a local group has done a lot to help itself and raise its performance and that of the community. That relates to the point about attitude.

We discussed the importance of innovation. We heard about some spots of innovation, but we challenged ourselves by asking why we do not commercialise our innovations much more effectively. That is an important aspect in building our industries.

The issue of planning arose. A number of delegates mentioned the slowness of the planning process. I will not go into that in detail, but it was mentioned that the process is too slow to support us effectively.

Another big area is skills. Again, that comes back to our attitudes and abilities. We are good at the high end of tourism, but we heard lots of stories about poor experiences and poor quality in the middle, where there are lots of SMEs. We

have a strong brand, but it is important to raise it to a consistent, dependable level.

Finally, connectivity should run through all our pursuits in the tourism and food and drink industries in Scotland. We do not cross-sell effectively, and people need to use their peripheral vision.

The Presiding Officer: Group 5 discussed achieving sustainable economic growth in the creative industries, including electronics markets and digital content and technologies. David Stewart, who is the chief executive officer of Critical Blue Ltd, will give us his summary.

Mr David Stewart (Critical Blue Ltd): If I tell you that the first section of our discussion was on what the creative industries are, you will probably get a sense of how complex the discussion was. “Creative industries” is a fairly new term that tries to group together the disparate technology, software and games industries. It took us a while to get the hang of what it means, and people were asking whether they were in the right room. That gives us a perspective on the challenge.

We have a tremendous track record in engineering, innovation and technology development, but we all know that small companies in Scotland tend not to grow into big ones, so we end up with a grouping of small to medium-sized companies. We have to take into consideration that that includes everything from two guys developing games software in their bedroom to people who manufacture semiconductors and so on. It is a wide group. Our group was quite small, and there was no representation from industry, which probably tells its own story.

The other question that we talked about at the beginning was, “How can we make sure that we don’t come back here in 12 months and start asking questions, as people did at the beginning of this session, such as what has happened since the last time we discussed this?” We tried to think about how we could ensure that progress was made. We recognised that it has to be done in partnership with the Government and the Parliament, but we also recognised that we need to have an on-going dialogue and that business and industry must participate.

We picked up on some themes from the great speeches this morning. We decided that we ought to pick some winners and that delivery was very important. We picked some work that has already started in the digital media section, which is a subset of the creative industries, as well as in the information and communication technologies group, which is also a subset. They are both big and diverse subsets. Work is going on to create a plan that will include real things that need to be

delivered, and our commitment is to support that work, which will result in a plan being put before Parliament and discussion taking place here. We will ask Parliament for things to happen and we will pay attention to whether they do.

Our objective is to get past the barrier of being small companies and to grow some of our start-ups into much bigger companies. Our group’s other commitment is to go out and recruit other people to participate in events such as today’s. We felt underrepresented: I think that there should have been 100 people in our meeting room. It is because other people are not engaged in the process that there were not 100 people there. Our commitment is that, as the process continues, the grouping will talk to other people whom we deal with in industry and get them to participate as well.

The Presiding Officer: Thank you, David. Our final presentation is from discussion session 6, which was on the proposed climate change bill. The discussion session was chaired by David Sigsworth of the Scottish Environment Protection Agency.

Mr David Sigsworth (Scottish Environment Protection Agency): We were looking at the climate change bill—or rather, the consultation on the proposed bill. At the moment, it proposes a high-level framework for achieving a long-term objective—to reduce Scotland’s 1990-level emissions by 80 per cent by 2050. A general observation of the group was that although it was a massive challenge for Scotland, its global contribution would be small. At the same time that we work on achieving and setting the standards in Scotland, we must work internationally to try to deliver the same ethics, high performance and leadership into the world arena to pass on our skills.

The proposed bill suggests a framework that needs monitoring and budgeting to see it through. One of the key points that came from the group’s discussion is that whatever budget periods are chosen, they should be integrated with the business cycles of those who have to invest and plan to deliver the legislation. That largely involves business and local authorities.

Although the bill is only a framework at the moment and there is very little explanation in it of what the vehicles will be in the short or long term to achieve its objectives, we had a fair bit of discussion about what those might and should be. We kept coming back to the fact that energy efficiency at all levels, not just for the energy sector but for transport and the heat industries—both for manufacturing industries and heating communities—has to be reviewed and incentivised and Scotland has to take some unique positions to solve its unique issues in the area.

Energy efficiency was seen as a big driver. We had a long discussion about house builders and their issues in focusing on special renewables-sector-type measures for the very small element of new home building. At the moment, those measures are not being applied wholesale to the 90-odd per cent of the building stock that can still be influenced. We need to do more to make an inroad, and that is a challenge.

12:45

There was tremendous support in the group for an observation that Ian Marchant made this morning. We must deliver soon. Delivery is the key. Everyone said that we should not allow the job to be put off to future years.

Finally, the group recognised that, with such a bill, strong scientific support is key in the longer term to show how Scotland is doing against the targets, to give coherence, and to give firms and communities the ability to drive for continued and committed support to meet the bill's aims and objectives.

One of the real gems that came out of the discussion was the sense of pragmatism. The group got down to saying that every firm, community and organisation that can make a contribution ought to think now of one thing that could make a difference tomorrow and next year, and that they ought to look for one relationship in which they could start to share their current expertise with others.

The Presiding Officer: I thank all of you for your succinct summaries of your discussions, which have obviously been thought provoking and productive, as I suspected from the opening session that they would be.

I am delighted that just under half an hour is now available to us for open discussion. I hope that you will forgive me and that I do not sound too bossy if I point out to you all what I regularly point out to MSPs: brevity is a great virtue in these circumstances. I am sure that many of you will want to speak, and I am keen that as many of you as possible will do so.

We have roving microphones around the chamber. Anybody who wants to speak should catch my eye. You may ask ministers questions—they are here to answer them. Some of you have submitted written questions to the Government. I have been asked to assure you that if you do not receive an answer to your question today, it will be answered in writing. I will do my David Dimbleby bit for the next half an hour. People should try to catch my eye. When a person receives the microphone it will be extremely helpful to all of us if they announce who they are and who they represent.

Mr Christopher Wilkins (North British Windpower Ltd): I want to say something that follows on from what Ian Marchant said in his talk this morning. I was originally going to ask a question, but I have heard about the minister's enthusiasm for wind power, and I have a suggestion to make.

Developing wind farms is extremely difficult, and we need all the help that we can get. We could do with more help in two areas in particular. The first is where there is limited capacity on the grid, in landscape terms or because there is a Natura site. There does not seem to be any mechanism for sharing that capacity or for resolving capacity disputes. Is it a matter of first come, first served? If people get knocked back for some rather obscure reason, do they lose their place? We would like more clarity.

The second point is on local authorities. A local authority views with deep gloom a planning application that is made to it. It is very overworked. Its officers must spend a great deal of time reviewing the application and they receive no help—I think that local authorities now receive a percentage of some fee, but it is not a lot. The application then goes up to a committee that has no incentive to pass it, because the application—almost by its nature—will stir up antipathy. The people who are antipathetic are elderly and articulate. All the research shows that only 10 per cent of the population do not like wind farms, but they are the articulate ones. If the local authority were to receive the rates from wind farms or a share of them, that would be a considerable incentive to deal with applications better.

The Presiding Officer: We will take points. In the front row, would you like to respond, sir? [*Interruption.*] I am sorry; you have a question.

Mr Burns: I am sitting in the wrong place to respond.

I am the chairman of Scotland Food & Drink. A point came up in our discussion session that I want to ask as a question. How do we ensure that we are good at making the vital few choices about what to support in Scotland to drive forward quickly the main specialities with strategies for reaction well in place? Generally, we are not good at making tough choices. I throw open how we do that. If food and drink and tourism were chosen as a main focus, that would mean deciding not to do some other things.

Mr Dave McGrath (ReGenTech Ltd): To deal with the grid capacity constraints that some wind farms are suffering, I offer an option that is increasingly being used in the rest of the world. Electricity can be used in different forms in the community. In the fossil-fuel-constrained world that we are moving into, perhaps we can use

some of that electricity to create our own transport fuel—in the form of hydrogen fuel—in the community and for the community. We have demonstration projects for that in Shetland and we are developing ones in other parts of the country. That practice is becoming mainstream in many countries and it might offer a solution to some grid constraints.

Mr John Sturrock QC (Core Solutions Group Ltd): I am the chief executive of the Core Solutions Group. My point is separate and unrelated. I plead for much greater recognition of the value of dealing effectively with disputes and conflict in businesses and organisations. Recent research from England shows the enormous cost to business and industry of unresolved or long-running disputes—of internal disputes and external disputes with contractors and others. The costs include legal expenses, loss of management time, stress, anxiety, loss of morale, the effect on reputations, damaged business relationships, loss of business and the ultimate loss of the bottom line—productivity.

Recent evidence from England and the USA shows that businesses that are dispute wise and use modern approaches to problem solving, such as business mediation, can save enormous sums—millions of pounds—on the bottom line and contribute positively to business success. As a mediator, I have seen the extraordinary impact that quick, creative and effective dispute resolution can have on industry and organisations. Such approaches could even work in deal making and perhaps in the planning and environmental systems.

Finally, as the First Minister has suggested recently, there is the real prospect of Scotland becoming an international centre for dispute management and conflict resolution. I commend that prospect to everyone, and I hope that the Government, the Parliament and business will find imaginative ways to deal with disputes and conflicts in order to expand and enhance Scotland's economic success. It may be that, as with the environment, if we are imaginative and creative, Scotland could lead the way as the dispute management centre for Europe.

The Presiding Officer: Thank you. I call the gentleman on my left.

Mr Jim Ferguson (The Castle Group): I would like to say—if I may—that the Scottish Government is a refreshing change. There is a consensus of opinion that more dialogue is taking place. Yes, it is a minority government, but the big winners are the Scottish people, because we are getting results.

One point has come across strongly—I am going back to Ian Marchant's comments. He hit

the nail on the head for me when he said, "Let's stop talking and let's get down to business." As a Highland businessman, I can tell you that we face challenges in the rural parts of the world, including transportation costs, transportation links and fuel costs. They are not insurmountable, but I hope that we can get stronger representation for the Highlands as a direct result.

The open dialogue taking place in the last meeting that I attended was also refreshing. To put it to the test, I asked whether we could convert what we were talking about into a strategic business-type action plan. I am pleased to see that that is now going to take place. We must also ensure that, whenever possible, we are getting measurable results in a sustainable timeframe. As my colleague pointed out, it is one thing to discuss these matters, but if a year later nothing is happening, there is no point.

With this Government and today in the Parliament, business people have a fantastic opportunity to ensure that dialogue is taking place and, more important, that we are transferring that into a workable and measurable action plan.

The Presiding Officer: Thank you. Just for the record, would you give your name and say who you are representing?

Mr Ferguson: Yes. My name is Jim Ferguson. I am the managing director with the Castle Group and director and patron of Inverness Chamber of Commerce.

The Presiding Officer: You have a fine surname, sir.

Mr Ferguson: Thank you, although it is with only one "s".

Mr Alan Thornburrow (Scottish Investment Operations): Having listened to the summing up, I think that the people issues are fairly common across all the industries represented here. There are certainly a number of different initiatives under way to market Scotland and to attract and retain the right talent. My question is fairly open: what are we doing across industries to bring that together and to make Scotland a more competitive and attractive place to do business?

Mr Andy Willox OBE (FSB Scotland): First, we welcome the fact that Scotland is the best place for small businesses to locate to, with the new rates relief scheme. We like saying that we are the most competitive place in the United Kingdom in which to settle. Secondly, I would like some commitment that transport of all sorts from the north-east of Scotland—including air traffic to Heathrow, and rail and road—is given high priority by the Government.

The Presiding Officer: I have noticed that, during these questions, two ministers in particular

have been scribbling notes furiously—I am sure that you will be pleased to know that. I do not know whether Mr Swinney wants to refer to these points when he sums up or whether Mr Mather has any comment to make at this point.

13:00

The Minister for Enterprise, Energy and Tourism (Jim Mather): The questions have been very useful. I will go through them and try to address the points.

On grid capacity, we are very much on Ofgem's case. We are about to make an unanswerable case to it to improve access and lower transmission charges. The hydrogen fuel idea is also good. The grid capacity was given a boost recently with the Crown Estate's suggestion for an undersea supergrid that would harvest 5GW to 10GW by 2020.

The local government issue is also interesting. On 7 November, we ran a session in which we brought together local government councillors, community interest groups, renewables campaigners, environmental campaigners, developers, companies and so on to resurrect the noble art of selling: selling community benefit, involvement et cetera. That approach is beginning to show results. Indeed, in my Argyll and Bute constituency, a number of biomass plants are beginning to generate electricity. Those companies have even signed a concordat with Scottish Power on developing wind and wave power.

I found Allan Burns's comments interesting, because on Monday we had a session with the whisky industry, which wants to embed itself not only in the mainstream food and drink sector but in the tourism sector. If we can evolve a systems thinking approach to what we can achieve in Scotland with attractions that bring together food and drink, tourism and whisky, it will be a very material step. I certainly look forward to encouraging such a move.

I understand the challenges in getting down to business in the Highlands and am keen to level the playing field and achieve measurable results. Indeed, a guy called John Seddon, who is in the chamber this morning, is bringing to the public sector the approach used by Toyota. He is driven by measurable results and by getting not only local government but national Government departments to line up behind what the business community is doing and measure results in terms of what service users require.

In fact, in getting down to business, we have run 16 sessions with sectors of the industry to find out what they want. Those sessions have been a bit like today's conference; however, we have taken a

big screen approach and have tried to move things forward by mapping not only the various sectors' goals, attributes and positives but everything that is holding them back and by identifying other stakeholders not only in the industry, but suppliers, customers and Government figures such as SEPA, Scottish Water and so on who could have turned up on the day.

That brings us to the issue of disputes and conflicts, on which issue I am very much guided by Adam Kahane, a Shell scenario planner. He says that we have got to talk more. We have to get everyone in a room, identify them, find and work towards a common goal and let the dynamics of Adam Smith's enlightened self-interest lead us all forward in making something very orderly and forward-moving from what appears to be challenging and chaotic.

I think that I have said enough, so I will pack it in for now.

The Presiding Officer: That brings us up to date. Does anyone else wish to say something? Please do not be shy.

Mr Gareth Davies (Aquatera): I want to feed off some of the responses made by the chairman of the discussion group on the energy industry and try to join together three particular strands. Obviously there is a clear link between the reduction of carbon and the energy strand, and our group discussed some solutions for reducing carbon emissions in the economy.

We also highlighted the difficulty of promoting energy as an industry and of getting new people to come into it to deliver the solutions that the whole world needs. It struck me, however, that the tourism and food and drink sectors would be very good vehicles in that respect, given that they do a lot to promote what Scotland means. The relationship between energy and tourism gets painted as a potential area of conflict, particularly in the press, but it can provide a great opportunity for creating synergies. It would be quite a challenge, but if we could harness the promotional powers of the tourism sector in promoting Scotland's energy sector and its benefits it would greatly benefit the country. We need to get out of our silos and find out how different sectors can cross-fertilise each other.

Mr Saftar Sarwar (Barclays Wealth): I want to make a general high-level point. In this era of uncertain economic growth and in light of the various global finance issues that have arisen, Scotland should move on to the front foot and embrace globalisation, increase trade links with the growing global economies in Asia and the middle east, use our finance expertise to create real partnerships and, basically, be really bold. I am sure that we would be surprised at the positive

results of such an approach.

Mr Stewart: In my summing up of the creative industries discussion group, I did not mention this point specifically, because we did not have the answer. However, several people spoke about a failure in the area of skills—from manufacturing skills right through to commercial skills in high technology. Many initiatives are in place, but from the discussions in our group, it seemed either that people did not know about the initiatives or that the initiatives were missing the mark. Focus has been placed on skills, but the relevant issues may not be connected in the way that people would like.

Mr Tim Williams (Millstream Associates Ltd): Presiding Officer, in your opening address this morning you mentioned the Scottish Parliament & business exchange. From my perspective, the exchange does not seem to have a very high profile. After the previous business in the Parliament conference, Maureen Watt came and spent a few days with us. That is a very useful mechanism for allowing parliamentarians to understand more about how business works.

The idea of picking winners has been mentioned. It might be an idea to structure the exchange in such a way that MSPs are encouraged to go and embed themselves with some of the winners, so that they can gain direct experience.

The Presiding Officer: Thank you for making that interesting point. It gives me an opportunity to introduce Arthur McIvor, who is the new chief executive of the business exchange.

Mr Arthur McIvor (Scottish Parliament & Business Exchange): I started in my post only last month, but I would like to make two points. The first is one that I wanted to make to the tourism discussion group, and the second concerns the exchange.

An issue that is often overlooked in tourism is business tourism. If the Government is to have a chance of delivering a 50 per cent increase in tourism by 2015 without vastly impacting on footfall, it could usefully consider the business tourism sector. Tourists in that sector tend to spend about three times more per head and they tend not to come in the summer months. In the past few years, the busiest months have been October and November.

I am grateful for the opportunity of mentioning the Scottish Parliament and business exchange. We are very keen to engage with businesses to encourage them to become members of the exchange, so that we can have a two-way flow of communication between MSPs and businesses. We are currently going through the process of defining completely what the exchange does and

the benefits that it gives to MSPs and to member businesses. That will be done by the end of next month. I will be happy to come and speak to any of the organisations represented here today who are interested in the exchange. I hope that it will become a twelve-months-a-year forum, as opposed to the once-a-year exercise that we have at present. If anyone is interested, give me a call.

The Presiding Officer: That was a bonus chance to plug the exchange.

Mr Gordon Cowan (gr8works): We can talk a lot and have all sorts of chat about making a difference, but we have to be realistic: business is different from Government. It should not be all that different, but it is.

I am from gr8works in Prestwick and, basically, I build and sell businesses. I am always happy to give an MSP a beating over something that they have or have not done, but I would suggest to the business community that we all have a responsibility to make Scotland successful. The creation of a smart, successful Scotland does not lie only in the hands of the Government.

I try to encourage my peers to give half a day a month to something that is outside of their own sphere and is Government based. If we want Scotland to be successful, we have to be passionate about Scotland and we have to be willing to put something back.

Generating wealth and jobs is really important, but we also have to help the Government to be better. Earlier this morning I said something that I did not realise until I said it: most civil servants live in a bubble, because they do not have the cutting edge that businesspeople have.

As a nation, we have an opportunity to make a difference if we really want to and if we are committed to doing so. It is up to us. We need to give of our time and our expertise. We need to be willing to stand up and be counted. Every single person who runs a business in Scotland has earned the right to talk to Government. It is spending our money. But guess what: if we do not say anything, Government will not get any better. I encourage everyone here: we must do as much as we can, but take some time out. Help these guys in business. Do not be scared to shout, and do not be scared to get involved in the business exchange. I have no idea what that is, but I will do after today.

There is a lot of opportunity for everybody to get involved. If you are passionate about Scotland, get involved and do something. Help the Government. I am encouraged, because I feel that Government is starting to listen. For a long time, I thought that Government was not listening. We must take the opportunities when we get them.

The Presiding Officer: We have time for a final contribution.

Archie Gibson (Baxters Food Group): Although I am with Baxters Food Group, my question is not directly related to the food industry. I have been slightly put up to this, following a conversation last night. The subject is planning, building regulations and the various energy initiatives. Is it the Government's intention to harmonise the clear cross-references between those three things, or is it an aspiration to link them together?

The Presiding Officer: I will now give the Minister for Enterprise, Energy and Tourism, Mr Mather, the opportunity to wrap up the second set of contributions, before asking the Cabinet Secretary for Finance and Sustainable Growth to give the closing speech.

Jim Mather: The melding of Parliament, parliamentarians and business is a lot easier than people think. There were some comments about there not being enough businesspeople in Parliament, but there are a lot of businesspeople in Government now. Alex Salmond came from the Royal Bank of Scotland; John Swinney was with Scottish Amicable; Fiona Hyslop was with Standard Life; Stewart Stevenson was with the Bank of Scotland; I worked with IBM. There is some real understanding there.

The comments that Gordon Cowan made about Government listening and being keen to be involved are all accurate. There is not just an appetite for a reflective debate, in which we consider what we are doing in the context of what you are saying to us; there is a real enthusiasm to work with you in a generative debate, where we take this entity called Scotland forward, recognising the legitimacy of all the sub-tribes here, including individual businesses and communities.

Issues concerning skills were raised by the creative industries and that was a common message from all our sessions—I include textiles, energy, electronics, tourism and engineering. Every time we got people in a room and spent two or three hours with them, we got a common message that more of them needed to get into schools to tell young people just how exciting it is to be an engineer or to be involved in taking textiles to a new level.

On the idea about extending the shoulder months with business tourism, I believe that we are very much on that case. We must acknowledge that the 50 per cent uplift in revenue is fine, but it is a little bit selfish. We need to be a bit more altruistic in seeking to exceed the expectations of our visitors, and I believe that VisitScotland is really tooled up to do that. We

need also to exceed the expectations of young people who are coming into the industry and looking to move forward.

As far as reducing carbon emissions and linking energy and tourism are concerned, we already have green tourism well under way, with a lot of tourism businesses realising not only that it will make Scotland a more attractive place for people to come to, but that it has a dramatic effect both on the top line of sales and on the bottom line of costs. There are lots of things on the go, and we will keep this dialogue going.

Business in the Parliament is a one-off event, but we are working on these matters on a weekly basis. The next thing that we have is a session on optoelectronics and information and communications technology; earlier this week, it was the whisky and drinks industry—and it goes on and on. We are then looking to get to the second and third sessions and to help you flush out other stakeholders.

I finish with a statement on the interesting aquaculture session in Inverary. We had 48 people there, mainly from the industry but also from the Scottish Environment Protection Agency, Scottish Water, the local council, the enterprise network and the Food Standards Agency. The FSA people came mob-handed—there were three of them—into that dangerous environment and told us that their objective for aquaculture was to reduce the risk to public health. They left the room with the objective of helping the industry to grow progressively such that it could produce more and more healthy, nutritious and safe food, thereby boosting public health and economic and general well-being. That is the kind of alignment that I think we will get out of today's session.

13:15

The Presiding Officer: Thank you, minister. I am sorry but we have come to the end of the open discussion session. Some of you have lodged questions in writing—you will receive responses. I hope that I am not overdoing it by saying that if some of you still have comments for ministers, should you want to put them in writing I am sure that you will receive written responses. I have great pleasure in calling on the Cabinet Secretary for Finance and Sustainable Growth, John Swinney, to give a closing address.

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): It has been an enormous pleasure to take part in today's event and to listen to the contributions. In the next quarter of an hour, I aim to sum up and draw together today's feedback, and to give a clear steer on where we can go with all this material.

I start at the familiar epicentre of the problems—

the planning system. I tread delicately when I talk about planning these days. One of the reasons why planners are overworked and the system is slow and tired is because we give as much attention in our country to the planning intricacies of dormer windows as we give to major industrial developments. That is utterly absurd. The previous Government introduced new legislation on planning that was passed by about 110 votes to 13, which leads us to the pretty reasonable conclusion that Parliament has reflected on the fact that the planning system is not working efficiently and effectively. Our duty as a Government is to introduce the secondary legislation that will speed up the planning system and make it much more efficient. We are very much focused on that target. I will say no more to you than the fact that that is work in progress. It will take us a period to improve the planning system. However, I assure you that we are determined to do it, because without that improvement, the performance of the Scottish economy will be further inhibited.

I see some faces in the room who have complained in the past about Scottish Water as an obstacle to development. The other week, I heard one of those individuals say that he thought that Scottish Water had improved significantly, that it was no longer as big an obstacle, and that it was in fact a helpful organisation in relation to economic development. That is welcome, and it shows that we can achieve changes and progress, and that we can make the system more efficient. I assure you that the way in which the Government improves the planning process is a measure of achievement on which we will be happy to be judged. Mr Wilkins talked about the wind industry and the wider renewables sector. One of my aspirations is to try to give greater clarity to the planning system, through the national planning framework, so that we give a clearer picture about what we are trying to achieve in particular parts of Scotland and the areas that we are trying to tackle into the bargain.

The second area I wish to cover is climate change. We must recognise that, for a business audience, climate change is a significant factor. We have been greatly helped in the debate by the recent CBI report "Climate change: Everyone's business", which makes the point more eloquently than I can that it does not matter who we are—householders, business or major industrial organisations—climate change is relevant to every one of us and we have to ensure that we make our contribution to tackling it. What we are trying to do in that respect is to produce the overall framework, through the climate change bill, that will see Scotland move in a steady and responsible fashion to reduce carbon emissions by 80 per cent by 2050. It is an ambitious agenda, but it is one

that I think will be mirrored by other countries shortly. Once again, Scotland will have deployed global leadership and thinking in that area. However, I stress that there are many elements of the climate change agenda in which there is economic opportunity for us to secure advantage for Scotland. A number of organisations here, whether they are involved in the house building sector, the housing sector or the renewable energy sector, have contributions to make, and Government will provide the direction and leadership that are required to ensure that that happens.

I apologise to the people who were in my discussion group, because I am about to repeat something that I said to them. If one thing has emerged from our discussions and from my relatively limited time as a minister in the Scottish Government, it is the recognition that alignment in the public sector is absolutely fundamental to our success. If I am remembered for anything as a minister, I will be remembered for boring Scotland rigid about that, and I will drone on about it on every platform I have. Every week, wherever I go I discover more lack of alignment in how we structure and organise our public sector activity that has to get sorted.

John Brown mentioned procurement, £8 billion-worth of which is undertaken annually by the public sector in Scotland. I do not think that we feel the benefit of that £8 billion-worth of punch in the Scottish economy. The European Commission will probably come and arrest me shortly for suggesting that we should look at what advantage that can bring for domestic producers. There are ways in which we can use the procurement structure. How do we make things happen? I have taken on the chairmanship of the national procurement board in Scotland to ensure that I drive the agenda of improving efficiency in procurement. Other items on the agenda that I want to drive include ensuring that procurement is more sustainable and that it supports our SME sector more effectively, and recognising that big gains can be delivered as regards the effectiveness of the economy.

There is also the issue of alignment between the fields of economic development and skills development. The Cabinet Secretary for Education and Lifelong Learning, Fiona Hyslop, has taken clear decisions on the alignment of the skills development sector in Scotland through the establishment of skills development Scotland and the focus that she is giving to the Scottish Further and Higher Education Funding Council, which directs funding to our higher and further education institutions. By aligning skills development initiatives with the wider work of the economic development agencies Scottish Enterprise, Highlands and Islands Enterprise and

VisitScotland, she will ensure that, in the key areas of economic activity, there is alignment between the development of skills and our economic development interventions.

I labour the point about alignment because it goes back to some of the key themes that Ian Marchant and Susan Rice developed earlier. Ian Marchant stressed the importance of effective delivery, management and accountability, and of organisations working together. Susan Rice made the point that in the financial services sector and the oil and gas sector major achievements have been made in drawing those industries together to give them a powerful and coherent voice in public policy, which is essential. To go back to Gordon Cowan's point, Government has to get the message loud and clear; it does not want to be impervious to what is going on in the wider economy.

As I said at the dinner last night, Jim Mather has been touring the country with his laptop and his projector to engage with different sectors of industry so that we can absorb on a weekly basis what industry is concerned about and what issues we as ministers need to address to support the development of industry in Scotland. That process will go on week by week and month by month throughout this Administration. To anyone who feels that today's event is a one-day, flash-in-the-pan sort of occasion, I give an absolute assurance that we engage in such dialogue every week of the working year to ensure that we properly understand the issues and the aspirations of the business community and, crucially, that we take a set of decisions and actions that mean that we deliver on and implement solutions to those issues.

In the discussion group that I was in, there was a discussion about the need to lure back the people who leave Scotland when they finish their education. The number of people who leave Scotland is massively disproportionate to the number of people who eventually volunteer to come back. People will come back because of quality of life, which we have in abundance in Scotland, but they will do so only if there is economic opportunity. The key focus of the Government is to improve economic opportunity for all our citizens in Scotland.

In November, the Government published its economic strategy, which sets out simply and with utter clarity what the Government means by its purpose of increasing sustainable economic growth. The Government's economic strategy is designed to say to every civil servant—in my experience, there are a lot of good and talented civil servants in our organisation who are determined to make a difference in Scotland—as well as to everyone who is working in the public

sector in Scotland and to everyone in the business community, what the Government is intent on doing and the framework within which the Government wants decisions to be taken. Literally, we want to say to everybody when they come into work in the morning, "What are you going to do today to increase sustainable economic growth in Scotland?" We have absolute clarity on what the Administration is about—we have a pre-eminent purpose and a totally above-everything-else consideration.

As we debate the economy in the parliamentary chamber, I feel that there is broad acceptance in the political parties that having that purpose is the right thing to do. I am pretty sure that all members who come to the chamber and, into the bargain, all members of the business community who have come here, have the objective of making Scotland a more successful country. That is why I come to the Parliament—I want to make my country the most successful country in the world. Why should I not have high aspirations for my country? I think that all members of the Parliament have those aspirations. The key challenge is to ensure that we focus Scotland on achieving the objectives, so that people do not feel that they are making progress on the one hand, but that they have the other hand tied behind their back. That is the issue that the Administration must tackle. The business community will be a key element of the dialogue on how to ensure that that happens.

I have a couple of remarks on the impact that we want for our policies, initiatives and dialogue. We have heard a plea for more intervention to help the situation in the Highlands and Islands and a plea from Andy Willox for improved transport connections in the north-east of Scotland and Aberdeen. If I ever cut articles out of newspapers and pinned them on my wall, I would have done so with an editorial that appeared in *The Herald* just after the Government published its high-level output specification for the rail industry in Scotland last July. The editorial concluded with the sign-off line that the strategy has a positive impact on every part of Scotland. I cannot tell you how precious it is to the Administration to make an impact on every part of Scotland. It is not good enough to have parts of Scotland that are economically inactive or economically remote.

Professor John Kay, in a fantastic contribution, said that our direction in the areas of deprivation in Scotland must be to replace a culture of defeat with a culture of aspiration. I could not capture more effectively the direction of and thinking behind the Government's aim for the areas of Scotland that are not economically active. Among all the dialogue and debate that we have, we must ensure that we live up to that sense of ambition and aspiration. We are in a fortunate climate in Scotland today—we have a country that is strong,

good and capable. The Government inherited several good things from its predecessors and we are intent on building on that and taking Scotland to a new high level of ambition and aspiration. In that journey, it is critical that we work together effectively, which, in essence, is the theme of today's conference. There is partnership between the Government and Tavish Scott and his committee, which puts in so much effort to ensure that events such as this one are a success.

I give you an assurance that the Government is interested in understanding the issues and challenges that businesses face and, more important, that it is keen on doing something about the challenges. We want to make Scotland a more successful country and to ensure that barriers to that are not shied away from or dodged, but challenged, confronted and overcome. If we do that, we will make Scotland a more successful country.

13:30

The Presiding Officer: Thank you very much, cabinet secretary. On behalf of everyone here, I thank all the speakers who have contributed to what I suspect has been an extremely successful conference. All the speeches that I have heard, including comments by individuals from the floor, have been of the highest quality. I hope that that characteristic sums up the conference. I also thank the hosts of the discussion groups and the people who chaired them, who contributed equally to the success of the event.

Any event such as this entails an enormous amount of work behind the scenes. On everyone's behalf, I thank all the parliamentary staff who carried out that work. In particular, I thank Stephen Imrie, who is sitting on my right and who has done a mountain of work. Parliamentary staff always go the extra mile to ensure that such occasions are successful. I am sure that we are all very grateful for that.

Finally, I thank you, the delegates, for coming. Without you, there would be no conference. I suspect that all of you, like most of us, are people for whom there are rarely enough hours in the week. That people have given up some of those precious hours to make this conference the success that it has become in four short years says a great deal for your commitment as well as for the Government's and the Parliament's commitment to growing Scotland to have a Scotland that benefits all its people, as I said in my opening remarks. Thank you very much for coming—I look forward to welcoming you again next year, I hope. Slightly sadly, I draw this fourth business in the Parliament conference to a close.

Meeting closed at 13:31.

