

## **MINUTES OF SCOTTISH BUSINESS GROWTH GROUP – 15 November 2017**

### **ATTENDEES**

Lord Duncan, Parliamentary Under-Secretary of State, Scotland Office  
Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work, Scottish Government  
Richard Rollison, Deputy Director, Innovation, Industries & Investment Division, Scottish Government  
George Burgess, Deputy Director, Food, Drink and Trade, Scottish Government  
Tom Cartlidge, Scotland Office  
David Power, Scotland Office  
Karen Halford, Business Engagement Team, Scottish Government  
Grahame Smith, General Secretary, STUC  
Susan Deacon, Chair, Institute of Directors  
Maggie Morrison, Director, Scottish Chambers of Commerce  
Michael Koetsier, Head of Business Operations, Scottish Chambers of Commerce  
Brendan Dick, Chair, Scottish Council for Development and Industry  
Mark Bevan, Chief Executive, Scottish Council for Development and Industry  
Bronwyn Torrie, Head of Communications, Scottish Financial Enterprise  
Graham Hutcheon, Chair, CBI Scotland  
Tracy Black, Deputy Director, CBI Scotland  
Susan Love, Policy Manager, Scotland Federation of Small Businesses  
Andy Willox, Scottish Policy Convenor, Federation of Small Businesses

### **Items and actions**

#### **Introductions**

Lord Duncan welcomed members to the second meeting of the Group, setting his and Keith Brown's intention to hold further meetings in Q1 and Q2 2018. Lord Duncan also said he would like to see policy papers circulated to members ahead of future discussions which he hoped would give members the opportunity to develop proposals based on the UK and Scottish Governments' latest thinking.

#### **Industrial Strategy**

Lord Duncan thanked attendees for their comments and insight following the consultation on the Green Paper and confirmed a White Paper would be published shortly. He expressed his hope that the UK and Scottish Governments would work together to ensure the Industrial Strategy delivers productivity improvements in Scotland. There was a need for co-operation and complementarity. Lord Duncan invited members to set out their views on how businesses in Scotland will respond to the Industrial Strategy and what action is needed to ensure it is successful.

Keith Brown set out his hope that Industrial Strategy should take account of the strengths and weaknesses of the Scottish economy. He felt the Industrial Strategy could offer an opportunity to address inequalities and the uneven nature of economic development in the UK. He expressed that the Scottish Government would like to see Scotland-specific solutions to these challenges. He said there was a good working relationship in place with Greg Clark in BEIS, stressed the importance of timely document sharing and that the Scottish Government, and other Devolved Administrations, should be considered partners rather than ordinary consultees, with genuine joint decision making taking place, especially in regard to those decisions affecting Scotland. The Scottish Government would like policy interventions on Industrial Strategy to dovetail with Scottish Government provision where possible.

Business organisations welcomed the decision to pursue an industrial strategy and that there were opportunities to make proposals in the Green Paper more strategic. There was consensus that it would be important to develop the industrial strategy with a view to the interests of the workforce and conditions specific to Scotland.

The group emphasised the variety in the economies currently covered by City and Growth Deals and felt that Government should be clear about how existing and future Deals are linked to the Industrial Strategy. Further work would be needed to ensure the Industrial Strategy had a tangible impact. This would require a sophisticated understanding of how the Scottish economic ecosystem functioned as well as collaboration at all levels and clear leadership.

Members expressed concern that the Industrial Strategy should ensure productivity benefits were felt by small businesses across Scotland. It would be helpful to consider how Government and agencies make contact with small businesses. Sectoral support in the Industrial Strategy should take account of the impact of EU exit, ensuring the needs of rural areas are addressed.

There was discussion of the impact of rapid technological change on the Scottish economy, particularly driven by digitalisation, AI and robotics. Members referenced that the majority of IT professionals in Scotland work outside the IT industry and that digital should not be considered a separate industry but an underpinning of the whole economy.

Keith Brown acknowledged that it would be important to ensure we maximised the value from existing machinery before creating new mechanisms and that wherever possible activity should be coordinated. He felt the Review of Enterprise and Skills bodies was an example of this. He felt that regional assistance should work with the grain of the Industrial Strategy in line with key sectors identified by the Scottish Government and business. He felt it would be important to listen to the points raised by Trade Unions regarding consideration of the workforce consequences of issues such as the integration of robotics and big data.

Lord Duncan summarised the discussion stating that the pace of change is extremely high and that growth strategies must ensure that citizens were equipped to benefit from this change. He felt the Group should consider how Scotland was equipped for future macroeconomic changes and whether the Industrial Strategy would help business and individuals to take advantage of economic change given that there would be opportunities and challenges. It would be important to ensure that support was delivered where it could be most impactful, benefitting small business and rural areas as well as larger organisations in cities.

## **TRADE**

Lord Duncan noted the progress of the Trade Bill, the relationship between the development of trade policy and the progress of EU exit. He felt businesses were keeping an open mind regarding the various EU exit scenarios and the UK Government would keep the business community as informed as possible as the negotiations continued.

Keith Brown made clear that the Scottish Government welcomed the opportunity to discuss trade policy with the UK Government, citing examples of what he felt was most disappointing engagement or timely notification to date, and urged Lord Duncan to ensure going forward discussions were done as openly as possible. Scottish Government was growing the SDI trade network but wished to work more collaboratively with the UK to ensure the networks complemented each other. The

Cabinet Secretary also referenced work underway by Scottish Government to refine the approach to stakeholder engagement.

Business organisations welcomed the publication of the Trade White Paper and felt it would be important for this work to be aligned to EU exit negotiations. Members expressed that it would be important that Government had time to put in place the capability to handle any changes that become necessary as friction here could block trade flows.

Members stated that many large companies were concerned about the impact of EU exit and were spending money, sometime unnecessarily, on preparations. Clarity from Government would help businesses minimise those costs and cross-Government working should be used to ensure appropriate Departments had the capability they needed.

Members also made clear the importance of transitioning access to third party countries and discussed the significance of ensuring that arrangements work for communities, workers and consumers to deliver a successful deal. It would be important to encourage leaders in the UK and EU to swiftly provide clarity on how to ensure EU exit provides opportunities to business.

Business organisations felt it was important for Government to develop a clear understanding of the way businesses work and the long-term planning cycles businesses use. Any focus on increasing exports should not be at the cost of consideration of integrated supply chain in Europe.

Business organisations felt that while business engagement has increased, it is still a challenge to ensure colleagues based outside Scotland have adequate knowledge of the devolution settlement and that both Governments need to be more joined up in their engagement with businesses.

The group also felt that small businesses were likely to be the least well prepared to adapt to a new trading environment. With regard to promoting exports, it was necessary to look at the motivation and be led by evidence.

Lord Duncan summarised the discussion setting out his view that it would be important to bear in mind the UK's value to the EU as part of trade negotiations. He accepted that work was needed to ensure UK Government was able to ensure standards, regulations, workplace issues and dispute settlement were appropriately addressed as new trade relationships develop. He acknowledged the need to consider the impact of new arrangements on integrated supply chains and reiterated the UK Government's commitment to supporting more companies to engage in exports and acknowledged the need for both Governments to work closely on this.

## **AOB**

Members indicated a willingness to take a deeper focus on specific aspects of economic policy and agreed to provide recommendations as to issues to be discussed at the next meeting. The group agreed to consider whether to integrate the discussion more closely with the work of the Scottish Government's Strategic Board.

## **Actions:**

- Members to develop a short paper detailing the topics where the SBGG feels it has the best opportunity to make an impact on the Scottish economy and which should be discussed in future meetings
- Members to coordinate their priorities and present recommendations to Scottish and UK Governments at the next meeting

- SG to provide Lord Duncan with detail on the Airbus example discussed (where ESA suggested no longer part of EU framework)
- SG to provide Lord Duncan with a note of unsatisfactory engagement on Trade and suggestions to improve UK network processes

**Date of Next Meeting : 8 March 2018**