



The Scottish Parliament
Pàrlamaid na h-Alba

ECONOMY, ENERGY AND TOURISM COMMITTEE

AGENDA

5th Meeting, 2014 (Session 4)

Wednesday 26 February 2014

The Committee will meet at 9.30 am in Committee Room 4.

1. **Scotland's Economic Future Post-2014:** The Committee will take evidence from—

Rupert Soames OBE, Group Chief Executive, Aggreko;

Norman Springford, Chairman, Apex Hotels Ltd;

Maitland Mackie, Chairman, Mackie's of Scotland;

Robert Kilgour, Chief Executive, Dow Investments and Chairman of Renaissance Care Scotland;

and then from—

Jim McColl OBE, Founder, Chairman and Chief Executive, Clyde Blowers Capital;

Marie Macklin, Chief Executive, Klin Group;

Gordon MacIntyre-Kemp, Chief Executive, Business for Scotland;

Dan Macdonald, Chief Executive, Macdonald Estates;

and then from—

Ben Thomson, Chairman, Inverleith LLP;

Hugh Andrew, Managing Director, Birlinn Ltd;

Ann-Maree Morrison, Founder and Managing Director, Labels4kids;

Dr. Margaret Anne Craig, Chief Executive, Clyde Biosciences Ltd.

2. **Scotland's Economic Future Post-2014 (in private):** The Committee will review the evidence heard at today's meeting.

Stephen Imrie
Clerk to the Economy, Energy and Tourism Committee
Room T2.60
The Scottish Parliament
Edinburgh
Tel: 0131 348 5207
Email: stephen.imrie@scottish.parliament.uk

The papers for this meeting are as follows—

Agenda item 1

Note from the clerk

EET/S4/14/5/1

PRIVATE PAPER

EET/S4/14/5/2 (P)

Economy, Energy and Tourism Committee
5th Meeting 2014, (Session 4), Wednesday, 26 February 2014
Scotland's Economic Future Post-2014

Introduction

1. This paper provides background information for the Committee's second evidence session of its [inquiry into Scotland's economic future post 2014](#). The Committee will hear from the business community with three panels of witnesses made up of business people.

2. The remit and call for evidence for this inquiry was published in late 2013 and can be found online:

[www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Inquiries/Economic_Future_Inquiry - Remit and Call for Evidence.pdf](http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Inquiries/Economic_Future_Inquiry_-_Remit_and_Call_for_Evidence.pdf)

3. The Committee will hear from witnesses as below:

Panel 1 (9.30-10.30 am)

- Rupert Soames, Aggreko
- Norman Springford, Apex Hotels
- Maitland Mackie, Mackie's of Scotland
- Robert D. Kilgour, Dow Investments and Renaissance Care Scotland

Panel 2 (10.30-11.30 am)

- Jim McColl, Clyde Blowers
- Marie Macklin, Klin Group
- Gordon MacIntyre-Kemp, Business for Scotland
- Dan Macdonald, Macdonald Estates

Panel 3 (11.30 am-12.30 pm)

- Ben Thomson, Inverleith LLP
- Hugh Andrew, Birlinn Press
- Ms Ann-Maree Morrison, Labels4kids
- Dr Margaret Anne Craig, Clyde Biosciences Limited

4. Written submissions from a number of witnesses are attached (Annex A). A briefing from the Parliament's Financial Scrutiny Unit (FSU) is also attached (Annex B). Members will recall that the FSU has also published briefings with respect to recent and future developments. Links to these, for information, are below:

- Scotland's economy: recent developments
www.scottish.parliament.uk/parliamentarybusiness/72299.aspx
- Scotland's economy: future developments
www.scottish.parliament.uk/parliamentarybusiness/72297.aspx

5. For information, a list of the agreed further sessions is attached (Annex C).

Fergus D. Cochrane
Senior Assistant Clerk to the Committee

Annex A

Written submissions from the following witnesses are available via the link below:

- Robert D. Kilgour, Dow Investments and Renaissance Care Scotland
- Marie Macklin, Klin Group
- Business for Scotland
- Dan Macdonald, Macdonald Estates
- Ben Thomson, Reform Scotland
- Hugh Andrew, Birlinn Press

www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/72692.aspx

Annex B

21 February 2014		
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Economy, Energy & Tourism Committee

Scotland's Economic Future Post-2014: Business Views in Scotland

Background Briefing

This briefing provides a summary of some of the views of businesses in Scotland on key economic issues post-2014. The briefing provides an overview of some of the key issues raised in written submissions and by businesses through business organisations and surveys, but does not offer comprehensive coverage.

Key issues

Businesses may be impacted by the result of the Referendum in a number of ways. In particular, key concerns have been raised in the areas of currency, taxation and EU membership (Scottish Chambers of Commerce [2014](#)).

Currency

Brad Mackay (who has so far conducted 52 in-depth interviews with business leaders as part of the Future of the UK and Scotland programme of work for the ESRC) states that it is uncertainty around the currency that poses the most significant risk for businesses ([2014](#)). He goes on to explain that the choice of currency in an independent Scotland might result in a change to the level of cross-border trade and the location of some businesses:

“independence may well result, at least in the short and medium term, in a drop of economic output as cross border trade is diminished, and some medium and large businesses (who while fewer in number compared to small businesses, are responsible for the largest proportion of jobs and national income in Scotland), choose to reduce their exposure to Scotland by migrating some of their activities to either the rUK or the EU. In the long-term, of course, anything is possible”. (2014).

The choice of currency may impact businesses directly, e.g., if there are new transaction costs, but also indirectly, e.g., through influencing inward investment, business confidence and financial sector stability. Commenting on which of these impacts would be of most concern, the Institute of Directors stated that “While businesses on both sides of the border would regret new transaction costs resulting from an independent Scotland adopting a new currency, this inconvenience would pale in comparison to the financial danger of entering an unstable currency union” (2014).

The Scottish Chambers of Commerce understands that definitive answers on currency may not be available until post-referendum negotiations, but states that it is important to consider “alternative models for currency in an independent Scotland and scrutiny of how these may impact businesses in the future” (2014).

Taxation

The area of taxation is also a key concern for businesses under any future scenario. The Scottish Government’s White Paper on independence proposes a number of changes to taxation in an independent Scotland, such as up to a 3% reduction in corporation tax rates and stability of tax rules and procedures allowing certainty in business planning (2013).

In their written submission, Business for Scotland called for a “simpler tax system”, a point echoed by Marie Macklin, particularly in relation to sole traders and SMEs, who are faced with a “complex, confusing tax system”. Marie Macklin identifies a number of aspects of tax policy requiring attention. She suggests town and city centre regeneration could be supported with the addition of fiscal incentives, that a reduction in Air Passenger Duty will “almost certainly boost Scotland’s future tourism”, and that the 20% VAT rate should be considered as part of a wider tax review, and specifically VAT rates on building repairs and the Aggregates Levy should be scrutinised. Reform Scotland calls for fuel duty and vehicle excise duty to be “scrapped and replaced with a pay-as-you-drive system”.

A number of organisations have also expressed a view on the tax powers that they believe the Scottish Parliament should have. For example, in their written submission, Reform Scotland state that “each tier of Government should be responsible for raising the majority of what it spends... our starting point is that the taxes should be devolved”. Robert Dow Kilgour also stated in his written submission that he is “strongly in favour of more fiscal powers to be devolved to the Scottish Parliament in the very near future.”

EU membership

The Scottish Government has indicated its desire for an independent Scotland to be a member of the EU. However, a number of uncertainties remain about whether an independent Scotland would continue as an EU member state or be forced to apply

to become a member state. There is also uncertainty surrounding the potential result of the UK referendum on EU membership to be held by the end of 2017. Being part of the EU impacts businesses in a number of ways, e.g., through trade, availability of labour and regulations.

Brad Mackay highlighted that there would potentially be implications for businesses under either a Yes or a No vote in the referendum:

“A Scotland outside of the EU would have profound implications for both export-led companies in Scotland, and those outside of Scotland looking at where to invest in locating, expanding or moving business activity” (2014).

Additional considerations

Economic policy

A number of businesses have expressed a view on how existing economic policies impact their business/sector. Hugh Andrew of Birlinn Ltd expresses concern that “the processes of centralisation and homogenisation within the UK have continued and indeed accelerated since the revival of the Scottish Parliament”, going on to express his view that “There is little reason to think that independence will make any difference...”

Other businesses also expressed frustration with existing economic policy. The written submission from Dan MacDonald of MacDonald Estates states:

“I see nothing from Westminster that does anything to stimulate our commercial property development market outwith London”.

Business for Scotland raised similar concerns, stating:

“An independent Scotland will prioritise the interests of businesses in Scotland following decades of Westminster prioritising the distinctive interests of London and the South East. This includes the opportunity to create a simpler tax system”.

They propose labour market reforms “to improve employer/employee relations”, a migration policy in response to Scotland’s “unique demographic needs”, and use of a Scottish diplomatic and trade service to support Scottish exports globally. Dan McDonald suggests that with constitutional change the “relocation of functions of government currently run from London will create direct demand for property across Scotland and provide a stimulus for further development and regeneration”. He also suggests that “to maximise the economic impact of these relocations, the departments and agencies should be located throughout Scotland, not concentrated in the capital as has been the case in the UK.”

The submission from Marie Macklin, CEO of the Klin Group, also outlined her view that independence would provide new opportunities for business in Scotland. For example, she stated:

“Scotland needs the powers of independence to prioritise support for small and medium-sized enterprises by choosing fiscal policies with an economic focus that will create new employment opportunities and equality for all”.

On the other hand, CBI Scotland argues “that the nations of the UK are stronger together and that Scotland’s business and economic interests will be best served by remaining as part of the UK” ([2013](#)).

Uncertainty

Uncertainty in relation to constitutional change can impact businesses in a number of ways. According to Brad MacKay:

“The uncertainties created by the constitutional debate vary across sectors. Such uncertainties might include access to markets, currency fluctuations, skilled labour, tax structures, research and development (R&D) incentives and regulatory regimes. What uncertainties influence individual businesses might depend on whether customer bases are located inside Scotland, the United Kingdom, Europe, or more broadly, the world. It might also differ depending on whether ownership structures of businesses are domestic or international, whether they have their head office in Scotland/the UK, or they are a subsidiary, whether they are a small, medium or large business, whether they operate in highly regulated or loosely regulated industries, whether their labour force is highly skilled and mobile, or whether they are in global or regional industries. While uncertainties present risks to businesses, which business must mitigate by the decisions that they take, they also present opportunities for rethinking business-level strategy” ([2014](#)).

Some concerns have been expressed about how uncertainty around constitutional change is impacting/might impact business in Scotland. In his written submission, Robert Dow Kirgour stated:

“I do see and in fact have already found the threat of independence to be a direct barrier to attracting investment and jobs into Scotland.”

Richard Marsh and Scherie Nicol
SPICe Research
21 February 2014

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

Annex C

Future Committee evidence sessions:

Date/theme	Witnesses
5 March 2014 Economic think tanks, academics & Fiscal Commission Working Group	<u>Panel 1</u> <ul style="list-style-type: none"> • Paul Johnson, Institute of Fiscal Studies • Professor Jo Armstrong, Centre for Public Policy for Regions • Dr Angus Armstrong, National Institute of Economic and Social Research

	<p><u>Panel 2 (Fiscal Commission Working Group)</u></p> <ul style="list-style-type: none"> • Crawford Beveridge, Chair, Fiscal Commission Working Group • Professor Andrew Hughes Hallett, St Andrew's University <p><u>Panel 3</u></p> <ul style="list-style-type: none"> • Professor David Bell, University of Stirling • Professor David Simpson • Professor Charlie Jeffery, University of Edinburgh
12 March 2014 Monetary policy	<ul style="list-style-type: none"> • Sir John Gieve, former deputy governor of the Bank of England • Professor Ronald MacDonald, University of Glasgow • Dr Monique Ebell, National Institute of Economic and Social Research • Professor Anton Muscatelli • Professor Jeremy Peat, David Hume Institute
19 March 2014 Taxation, spending, borrowing, debt	<ul style="list-style-type: none"> • Elspeth Orcharton, ICAS • David Glen, Head of Tax, PWC • Moira Kelly, Chartered Institute of Taxation
26 March 2014	
2 April 2014 Economic sectors, trade, regulatory issues, labour market	
23 April 2014 Welfare/equality	
28 April 2014 Energy, oil and gas, renewables	
30 April 2014 Business sectors	
7 May 2014 International, lessons from abroad	
14 May 2014 Civic Scotland	
21 May 2014 Campaign groups	<p><u>Panel 1</u></p> <ul style="list-style-type: none"> • Better Together <p><u>Panel 2</u></p> <ul style="list-style-type: none"> • Yes Scotland
11 June 2014 UK and Scottish governments	