

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

DRAFT BUDGET 2019-20

SUBMISSION FROM Tony Mackay

Comments on Tony Mackay

1. Scottish Enterprise (SE) is the main economic development agency in the country. Its annual spending is currently about £350 million, so it has a very important role to play.
2. However, I believe that the contribution of SE has declined in recent years and that some radical changes in policies are required to return the organisation to its previous effectiveness.
3. As I have written many times before, the general performance of the Scottish economy during the last few years has been poor. The economic growth rate has been well below both the UK average and the long-term average of about +2% a year.
4. You would not know that from Scottish Enterprise's submission to the Committee. It gives a glossy, over-optimistic and misleading picture of the current state of the Scottish economy. I understand why SE wish to present the best possible account of their work but this submission is disappointing.
5. I believe that Scottish Enterprise has become far too political in recent years and taken many investment decisions for political reasons rather than sound economic ones.
6. I cannot give a detailed explanation of the reasons for the recent poor performance of the Scottish economy in these brief comments but I believe that Scottish Enterprise has not done nearly as well as it could and should have done.
7. In my opinion the two main reasons for Scotland's economic problems have been:
 - recession in the oil and gas industry
 - uncertainty caused by the Brexit vote to leave the European Union (EU).
8. There is little or nothing that the Scottish Government could have done about the recession in the oil and gas industry, which was caused by the collapse in world oil prices. However, the response from SE has been very poor – to be polite.

9. Thousands of jobs have been lost in the industry in Scotland, particularly in the Aberdeen area, and many firms have gone out of business. I believe that Scottish Enterprise could have and should have done much more to help the people and businesses affected.
10. For example, the recession in the oil industry has not affected many other countries as much as the North Sea. That is particularly true of the Middle East where development and operating costs are much lower than in Scotland.
11. Scottish Enterprise used to publish an excellent series of international market research reports on the opportunities in the oil and gas industry in other countries, which many businesses found very useful. However, the recent reports have generally been very poor and superficial.
12. I am surprised that there are very few references in the SE submission to the oil and gas industry, because it remains a very important industry in Scotland. A modest recovery is underway and at the time of writing Brent oil was trading at over \$80 a barrel.
13. I am also surprised at the few references to the impact of Brexit on the Scottish economy. This will be a very important issue during the 2019-20 financial year but seems to be a very low priority for SE.
14. A frequent criticism of Scottish Enterprise in recent years has that it has increasingly concentrated its work in the Central Belt, neglecting other areas such as the North East and the South of Scotland. The new development agency for the latter is an obvious outcome of those criticisms.
15. The SE submission makes a number of references to their involvement in the various City Deals now underway in Scotland. However, I believe that these have been a very disappointing initiative.
16. I understand the reasons to try new development initiatives given the recent economic problems in Scotland. Unfortunately, the experience to date has been very disappointing.
17. My biggest involvement to date has been with the Inverness City Region Deal, which is outwith the SE area, but I have also been involved with the Ayrshire Growth Deal. In both cases some of the proposed development projects are very poor, and much of the money promised is not “new” money.
18. That is also true of the Aberdeen City Region Deal which is also mentioned in the SE submission. It states that “in Aberdeen we have contributed £11.7m to

the city's £350m harbour expansion plan. The extension into Nigg Bay...is expected to create 2,300 jobs by 2026." I believe that the harbour expansion is a poor use of public money and the 2,300 jobs claim is ludicrous...to be polite.

19. I welcome SE's intention to do more work at regional and local levels, in contrast to concentrating on the Glasgow and Edinburgh areas. The submission states that "going forward, we will be flexing and adapting how we deliver services to meet specific regional needs through the new regional partnership model." That includes to "look beyond Growth Deals to foster better connections and understanding between key economic players."
20. The benefits will depend on the actual delivery, of course.
21. Much of the work done by Scottish Enterprise staff has been very good and beneficial. The recent problems seem to have been at the strategic level. As mentioned earlier, some of SE's senior management have become very political and supported policies for political rather than objective economic reasons.
22. I hope therefore that the Economy Committee will encourage radical improvements to SE's policies and implementation. The organisation's recent contribution to Scotland's economic development has been disappointing.

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