



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Jobs and Fair Work Committee

Tuesday 28 June 2016

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

Tuesday 28 June 2016

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ECONOMY, JOBS AND FAIR WORK COMMITTEE

2nd Meeting 2016, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Jackie Baillie (Dumbarton) (Lab)

*Ash Denham (Edinburgh Eastern) (SNP)

*Liam Kerr (North East Scotland) (Con)

*Richard Leonard (Central Scotland) (Lab)

*Dean Lockhart (Mid Scotland and Fife) (Con)

Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Gillian Martin (Aberdeenshire East) (SNP)

*Gil Paterson (Clydebank and Milngavie) (SNP)

*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Keith Brown (Cabinet Secretary for Economy, Jobs and Fair Work)

Simon Fuller (Scottish Government)

Rachel Gwyon (Scottish Government)

Andy Hogg (Scottish Government)

Paul Wheelhouse (Minister for Business, Innovation and Energy)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Economy, Jobs and Fair Work Committee

Tuesday 28 June 2016

[The Convener opened the meeting at 11:01]

Scottish Government Policy Update

The Convener (Gordon Lindhurst): Good morning and welcome to the second meeting of the Economy, Jobs and Fair Work Committee. I welcome in particular the cabinet secretary and the minister, and I ask the other witnesses present to introduce themselves.

Simon Fuller (Scottish Government): I am deputy director in the directorate for chief economist.

Rachel Gwyon (Scottish Government): I am deputy director of the enterprise and skills review.

Andy Hogg (Scottish Government): I am from the Scottish Government's oil and gas team.

The Convener: I should also point out that the cabinet secretary is Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work, and that the minister is Paul Wheelhouse, Minister for Business, Innovation and Energy. I apologise—as well as the positions that you hold, which is why you are here, you also have names.

I understand that you both wish to give a brief summary of your positions before we move to evidence taking. I ask Keith Brown, the Cabinet Secretary for Economy, Jobs and Fair Work, to speak first.

The Cabinet Secretary for Economy, Jobs and Fair Work (Keith Brown): Thank you, convener, for the opportunity to come along this morning. I congratulate you on becoming the convener of the committee and the other members on being appointed as committee members.

As Cabinet Secretary for Economy, Jobs and Fair Work, I look forward to working with the committee and individual members. As you said, convener, I will take this opportunity to set out some of the key issues that I will be focusing on over the coming months as part of the Government's approach to making Scotland a more productive country through innovation, investment, internationalisation and, of course, inclusive growth.

Clearly, the economic climate in Scotland, the United Kingdom and, indeed, the whole of Europe

has changed in the past few days as a result of the outcome of the European Union referendum. That will inevitably lead to a period of economic uncertainty, and it means that the external headwinds, which already include low oil prices, lowering demand in China and elsewhere and so on, will be added to and persist right through 2016 and beyond.

I have been engaging extensively with Scotland's business community in recent days to emphasise what might seem an obvious point, but a point that I think is worth emphasising anyway: we are still firmly in the EU. Trade and business should continue as normal, and we are determined that Scotland, now and in future, will continue to be an attractive and stable place to do business in. Maintaining and strengthening our links with our key European markets will therefore be a key priority in the weeks and months to come.

That said, I think that Scotland's economy has real underlying strength. Last year, the economy grew nearly 2 per cent in the face of some of the most challenging external economic conditions that we have seen for some time. We have a highly skilled workforce, although of course I do not underestimate the challenge of improving the skill set that we have in Scotland. We have also been very successful at attracting overseas investment, and we have strengths across a range of sectors. We therefore intend to approach the coming challenges from a position of some strength.

We must also not lose sight of the key areas of work that are currently in train. Chief among those is the work that we are doing in the north-east of Scotland, an area that has been particularly impacted by the pressures facing the oil and gas sector, particularly the oil price.

The Scottish Government is working very closely with the oil and gas industry—with the workforce and the trade unions—and the United Kingdom Government to secure the sector's long-term future through the energy jobs task force and the £12 million transition training fund, which is there to support individuals and to help the sector retain talent. We are also continuing to press the UK Government to take further action to support the industry.

Members will be aware of the UK Government statement at the time of the budget on various measures, including an indication that it would consider loan guarantees for infrastructure projects. We have encouraged the UK Government to move very quickly on that issue because in the discussions that Paul Wheelhouse and I have had with the industry, that was its number 1 ask. I intend to reinforce that point when I meet the Chief Secretary to the Treasury and other ministers in the next week or so.

We are also working to support the north-east region more widely through the £125 million that we contributed to the Aberdeen city region deal and a further £254 million of support for key infrastructure in Aberdeen. It is our view that those investments will help to enhance and promote the city's position as one of the world's leading locations for business and industry.

Another key priority for me is the review of our enterprise, development and skills agencies. Obviously, those agencies play a key role in the delivery of services to support Scotland's businesses, colleges, universities and workforce. The review offers the opportunity to build on the achievements of all those bodies to ensure that they continue to be best placed to deliver our shared ambitions on Scotland's productivity performance.

The review will focus on three aims: first, achieving the Government's ambitions as set out in the economic strategy and national performance framework; secondly, ensuring that our economic and skills interventions are shaped by the needs of users and the economy; and thirdly, ensuring that delivery continuously reflects best practice.

The fundamentals of the Scottish economy are strong. We do not downplay the challenges—both the external challenges that we face and the further actions that we have to take to make sure that we are best placed to maximise economic prosperity in Scotland. We have high employment levels, which is not to deny the unemployment levels. We have one of the most highly skilled workforces in Europe. We have a strong business base across a range of sectors, and we are an attractive country for foreign direct investment.

I reiterate that I look forward to working with you, convener, and with MSPs on the committee and across the chamber to further develop the strengths of Scotland's economy and to tackle the on-going challenges that it faces. To repeat something that is said almost routinely at the start of parliamentary sessions and has certainly been said a number of times at the start of this parliamentary session, I have a genuine interest in finding out members' views and suggestions. I have met two of the Opposition spokespeople already, and I hope to meet the others very shortly. I genuinely invite constructive ideas, which we will look into and take on board if we are able to support them.

The Convener: Thank you very much. I offer you my congratulations on your appointment, cabinet secretary. We will now hear from Paul Wheelhouse, Minister for Business, Innovation and Energy. My congratulations to you on your appointment, Mr Wheelhouse. I understand that you need to leave by 12 noon—thank you for

indicating that to the committee. At that point, you can simply leave without further ado.

The Minister for Business, Innovation and Energy (Paul Wheelhouse): Thank you, convener. I appreciate your forbearance.

I do not have a formal statement to give; if I may, I will just make a few points. I reiterate the cabinet secretary's remarks—I, too, very much look forward to working and engaging with the committee on the important work that it does. Committee work is an unsung part of the Parliament's activities. I congratulate, you, convener, on your appointment; indeed, I congratulate all members of the committee, because I know that it is a vitally important committee.

As the cabinet secretary said, much of our engagement so far has been with the oil and gas sector, dealing with the difficulties that it faces. I have also engaged positively with the renewables sector. Last week, I attended the offshore wind energy conference in Manchester to present Scotland's pitch as a sound location for further investment in offshore wind facilities. I am delighted to say that there are positive messages about current activity and potential future activity in that sector. We have had good news in the form of the Beatrice offshore wind farm being brought to financial close and the commissioning of work from Scottish yards and facilities.

I am also responsible for innovation. With the cabinet secretary, I have engaged positively with the can do innovation forum. My duties include being responsible for the partnership action for continuing employment response to difficulties that companies face day to day. I know that a number of committee members, including Mr Leonard, have an interest in a particular company in that respect.

As the cabinet secretary outlined, we have a key role in some of the industry leadership groups. In the weeks since my appointment, I have attended meetings of the financial services and life sciences ILGs. I have also engaged with retailers.

The portfolio is broad and I am excited to be a part of it. I look forward to working with the committee as we take the work forward. I will leave it at that, as I appreciate that we have limited time.

The Convener: Thank you, minister. Committee members would like to put a few questions to you and to the cabinet secretary; the other individuals who introduced themselves may wish to respond on one or two points, as they feel appropriate.

Considerable foreign inward investment has been made in Scotland. The internationalisation of Scotland's economy has played out in a number of

areas over the past decade. Does the cabinet secretary consider that internationalisation has positive and negative consequences? What is the Scottish Government doing—I ask the cabinet secretary to give examples, if he has them—to make the most of internationalisation, so that it assists the Scottish economy, and to deal with any potential negatives?

Keith Brown: International investment in Scotland is overwhelmingly positive. Another aspect of internationalisation is growing our exports and taking a more international outlook in our domestic economy. The two are linked.

We have 119 projects with investment coming into Scotland, which is truly remarkable. In the UK, the only area to have more such investment is London. With such investment, new practices and innovation are often—although not always—introduced. That must be positive for the Scottish economy.

Perhaps the convener has in mind as a disadvantage the fear that has existed for some time that such investment can be footloose—it can use up grants then move elsewhere. We are concerned to ensure that that is not the case.

Such investment is extremely positive, which is why we have been determined to go after it. Scottish Development International and Scottish Enterprise do a great deal of work to attract it. We want it to benefit the economy, not least because job creation often follows. We want that investment to fit with where Scotland wants to go.

We have a good track record on international investment. Recent events will challenge us and the whole UK on that—for example, the downgrading of the UK's credit rating is not at all helpful. However, as is the case with general economic conditions—whether that means the tailing off or slowing of demand around the world and certainly from China, or other pressures, such as the oil price, which concerns Iran, Russia and other countries and relates to the oversupply of oil—we cannot change the situation and we have to work in the environment that we find ourselves in. The same is true of attracting investment, which we will continue to do.

On the success that we have had, I think that the Conservative MSP, Murdo Fraser, has asked about the value of the investment in the 119 projects. As well as asking our own people in the Scottish Government, I have asked Ernst & Young about work on that, so I hope to come back to the committee or to the Parliament with information—to get to the heart of the question—about the exact value that we can attach to that investment. However, I think that it is, almost without exception, beneficial to the economy.

11:15

Paul Wheelhouse: Just to emphasise what the cabinet secretary said, this morning, I attended an event at BlackRock, sponsored by United Kingdom Trade & Investment, that looked at the collective pitch on financial services that we are making internationally. Lord Dunlop was there for the UK Government. It was very clear from those in the industry that they see location as important, given that Edinburgh is the second-largest financial centre after London in the European context—we have a hugely significant role.

We are, and I hope will continue to be, successful internationally because of the quality of the skills that we have available and our track record—or heritage, if you like—in financial services. That is not the be-all and end-all, but it is important. However, we also have locational advantages from being in a time zone that is very convenient for trading both in the Atlantic context and to the east. As well as that geographically advantageous position, English is used extensively in the financial services industry. We therefore have some natural advantages that we can play on.

We have also had some successes in sectors that are perhaps not so obvious. For example, just last week in my own patch in the Borders, 30 manufacturing jobs were reshored by Starrett, an American-owned company—jobs that had been lost to Scotland. Scottish Development International, the local council and Scottish Enterprise are working to resecure jobs that are coming back in. That is a positive trend. Manufacturing is coming back to Scotland and, I hope, to the UK.

We can try to learn lessons from that about what the successful factors were. In financial services and other industries, it is about making a pitch around not just language and locational advantage, for example, but our quality of life and the quality of our public services. Although our infrastructure is not perfect—I do not think that anyone would say that it is—it is improving greatly in relation to broadband communications and so on. We are modernising as a country and we need to exploit opportunities to attract inward investment to Scotland to try to offset the previous trend of jobs being offshored to other environments. We are increasingly competitive, and we are seeing jobs being brought back to Scotland and the UK.

The Convener: Thank you.

Ash Denham (Edinburgh Eastern) (SNP): I am interested in the Government's work on promoting innovation. The paper that we received for this meeting suggests that Scotland faces challenges in terms of research and development

because business expenditure on that is quite low compared with that in other countries. How can the Scottish Government encourage businesses to invest in R and D?

Paul Wheelhouse: Through the Scotland can do innovation forum, which the Deputy First Minister drove forward in his previous role, we are doing what I believe is leading-edge work. At the most recent meeting of the forum, the cabinet secretary and I heard about pilot projects that are being taken forward at a Scotland level. One project is trying to identify, support and fast track new digital services companies, which, due to the nature of the industry, tend to be winners very quickly or not to be winners at all, which means that we need to get interventions in there to make sure that they have the right support. That is a very exciting pilot that will potentially help drive forward areas of innovation in what could be a hugely successful sector for Scotland.

We have a tremendous record in the games industry and other aspects of digital technology. We know that financial technology is a hugely important area for financial services and Scotland because of our heritage and the fact that we are innovators in financial services. I can promise that Stewart Stevenson will remind members in the course of committee debates that the invention of the ATM—automated teller machine—largely happened in Scotland. Those are areas where we have been at the forefront of a particularly important industry internationally, so we have a heritage that we can exploit.

We also have opportunities to innovate in public services. The public sector is, obviously, a very significant part of our economy, so the pilot project in the Highlands on innovation in and around healthcare is potentially exciting.

We have examples of how we are trying to take an approach that supports individual small to medium-sized enterprises—I note that there is some debate over whether they should be called SMEs in the digital sector or whether different terminology should be used—and whole sectors as well.

On top of that, there is the work that we are doing more generally including, for example, the manufacturing action plan that we have developed to try to ensure that we are able to support Scotland's manufacturing sector to innovate. Some very interesting ideas are coming forward about creating a centre of excellence for the manufacturing sector to support the needs of manufacturers and give them access to equipment and technology, the lack of which might present a very high barrier to entry for companies that are trying to explore new product development. We are looking at enabling access to such technology

in a shared facility where people can develop new prototypes and those kinds of things.

In short, we are taking forward a range of measures and ideas, from supporting individual companies to creating infrastructure such as a manufacturing centre of excellence or something of that nature to support innovation.

Keith Brown: There is a clear correlation between R and D and successful economies. For example, the United States spends more on R and D than the UK and is more successful, and the same is true for Japan and the EU. It is really important to encourage that. It is not just a matter of what the Government does through, say, the Scottish Further and Higher Education Funding Council or further and higher education institutions. Although they are very important, it is also a matter of what individual businesses do.

As for having an R and D culture, I have previously mentioned in the chamber Scott & Fyfe in Fife, which, when it faced very difficult circumstances, took on additional design capacity, almost entirely revamped its product range and turned around its business. That is essentially all about investment in R and D.

That said, we have a successful track record in this work. In Scotland, expenditure on R and D has risen by 44 per cent in real terms between 2007 and 2014 from £629 million to £905 million. In comparison, there has been a 10 per cent increase in the UK. However, although I think that we are making progress, we still have a long way to go to reach the levels of the EU and world leaders such as Japan. As I have said, there is a clear correlation between R and D and economic success.

Liam Kerr (North East Scotland) (Con): You have talked about engaging with the oil and gas sector and have outlined some of the steps that you have been taking. Obviously the £12 million transition fund is a very good move, but my understanding is that it is very difficult to access it and that take-up has not been great. You mentioned the £254 million contribution, but I understand that there is no fixed timescale for that and we are not quite sure when it will come up. You also talked about pressing the UK Government to support the industry, which is good. However, what is the Scottish Government doing to support the sector and maintain jobs in the north-east? What is it doing outwith the transition training fund to support those who have lost their jobs to reskill and remain in the north-east of Scotland? Finally, as you will know, the Aberdeen master plan, which will obviously have a significant positive impact on the local economy, is being looked at. Does the Scottish Government have any plans to make further investment in that?

Keith Brown: You said that there was no timetable or timescale for the £254 million investment. It is important to be clear about the position, so I should repeat how it came about. We entered into a conversation with Aberdeen Council, Aberdeenshire Council and the UK Government on the city deal, but we thought that the deal should have been far more expansive than the UK Government's proposal of £125 million from it and £125 million from the Scottish Government for a number of different things such as the oil and gas innovation centre, digital infrastructure and certain other infrastructure works. Because the UK Government refused to go any further, we announced a further £254 million, which I should put in context by pointing out that the city deal itself runs over a 10-year period and that the money covers, for example, work on the Usan junction at Montrose, housing initiatives and more money for digital. Put together, that comes to more than half a billion pounds, three quarters of which has been funded by the Scottish Government.

That is how the investment came about and that is the timescale. The timescale is exactly the same as that for the city deal. That was the context for the announcement. That does not mean to say that it will take 10 years to do the Laurencekirk junction, for example, which is one of the proposals. However, we cannot be definitive about it, as anybody who knows anything about such projects knows that statutory processes, which may or may not include a public inquiry, have to be gone through. We want to get on with doing that project.

The contribution from the Scottish Government is substantial, and is far more than the UK Government was willing to put into the north-east economy. It is, of course, in addition to the Aberdeen western peripheral route, for which people have campaigned for nearly 50 years and which is now being delivered. People can see the evidence for that on the ground. We have done a great deal in relation to the north-east.

The full range of Government bodies is, of course, trying to help people who will look for new jobs or to retrain. My colleague Paul Wheelhouse, who is responsible for energy, can say more about that.

The transition training fund has helped many people, not all of whom are necessarily going on to a new job, although some will do that. It has helped people who have looked for advice on and support for their skills. The point of the fund, which I think was welcomed by all concerned at the time, is, of course, to try to help people to stay in gainful employment, but PACE is also doing that, and there have been three PACE events in the area. The point is to try to ensure that we retain skills in

the area or in the industry. As you know, the industry is mobile, so it is quite possible that people can move elsewhere, but they will have the option to come back when things improve further.

That is the basis on which we have tried to help people in the north-east. The package, taken with the city deal and the additional investment that we announced, is very good.

Around a year ago, the UK Secretary of State for Transport came up and said that the problem in Scotland was that there had not been enough investment in the transport infrastructure for decades. He was a transport minister in 1989, but never mind—he was right about that. The question why all our cities are not connected by motorway or dual carriageway, for example, is important, but the people in the north-east have said for long enough that there has not been that development of the infrastructure. The AWPR is perhaps the crucial point, but the much smaller Mosstodloch bypass project is important, too. People in Moray campaigned for that for 50 years, and it has now been completed and is open. We have understood the infrastructure bottlenecks, and our track record in trying to tackle them has been commendable, not least given the constraints in our capital and other budgets.

Paul Wheelhouse might want to say a bit more about oil.

Paul Wheelhouse: As the cabinet secretary said, we are using all our devolved powers to try to support the industry at this difficult time. Job losses in it remain a significant cause for concern. A key aim of the energy jobs task force, which has been referred to, has been to reach and support those who are at risk of redundancy. Before the event on 22 June at Robert Gordon University, which we do not yet have the attendance statistics for, the industry task force had engaged with approximately 8,800 individuals and more than 100 employers to better help those who are affected to move forward into new employment.

The cabinet secretary mentioned the transition training fund. We recognise that there have been some teething troubles and, as a consequence, the previous minister, Fergus Ewing, changed the criteria so that it would no longer be a requirement for someone to have identified employment before getting access to the transition training fund. I hope that that will help some individuals who know that they need skills but have not yet identified a specific employment opportunity that will allow them to exercise those skills to gain the training that will enable them to transition into new opportunities.

At the offshore wind energy conference in Manchester last week, which I referred to earlier, I discussed that issue with a number of offshore

wind employers who were thinking about transitioning individuals from the oil and gas sector. Some were oil and gas developers or operators with a renewable subsidiary and others were looking at opportunities to take on people with subsea skills that they need for offshore installation. The transition training fund is supporting on-going work to ensure that those individuals have the transitional skills that they need to get into employment opportunities and is working with associated sectors such as the renewable energy sector to ensure that there are opportunities to take them on.

The sectors that could absorb skills from the oil and gas sector are in a challenging environment that has been destabilised, in terms of financial support to the renewables industry, which is creating uncertainty. In an ideal world, we would have a more propitious set of circumstances in which to recruit people into offshore wind and other renewables. Having said that, opportunities are still arising, and we will do what we can to ensure that they are taken up, as best as possible, by employees coming out of the North Sea sector.

I believe that there has been interest in the work of the energy jobs task force, and I would be happy to try to provide the committee with some more detail on that in due course.

11:30

Jackie Baillie (Dumbarton) (Lab): I require a response from only either the cabinet secretary or the minister, because we have pressure on the time that is available to us.

The impact of leaving the EU is not yet quantified, but already we are all hearing stories about investment decisions being changed and jobs possibly being withdrawn. That is not the situation that we want. What are you doing initially about that? You already have an economic strategy, which people want to be implemented. Where is the action plan? Will we see one? Where are the detailed performance measures and targets that might be part of the solution?

Keith Brown: I am happy to answer that for Jackie Baillie.

Of course, there is no question but that the vote last week and its implications change quite a lot in the economic landscape. It is a case of ensuring first of all that we position Scotland to take advantage of investment opportunities, for example in the oil industry—which we have just been talking about and which has had something of an uptick, in terms of the fact that it pays in dollars and not in pounds. There is a benefit to that.

Jackie Baillie asked what action we are taking. I have spoken to nearly all the major banks and to a number of substantial businesses over the past three or four days, to find out exactly what they would need from the Government, in terms of any interests that they have, and to provide reassurance to them, as large employers of people from the rest of the EU, about the Scottish Government's approach. The First Minister has given assurances that we remain currently in the EU and that it is our intention to stay in the EU. We are providing as much reassurance as possible, and we have created new fora for on-going discussions with those companies as things move forward, in order to provide that level of reassurance. Obviously we want to be as acutely aware as we can be of any potential threats of disinvestment, just as we want to be aware—as always—of opportunities for new investments. We have had that discussion with companies, which has been very beneficial. They seem to be very grateful for the immediate contact and the level of support that they have had from the Scottish Government.

If the root of Jackie Baillie's question is whether the events of the past few days have changed how we approach our work on the economy, my answer is that of course they have. We must have a different emphasis. We had in place contingency plans for this eventuality of the referendum, and we will see them through.

Paul Wheelhouse: I appreciate the point—

Jackie Baillie: I am sorry, I want to pursue this with only one of you, because it takes time when both of you answer.

The Convener: Perhaps we can allow Jackie Baillie to do that, because we have a very limited time slot and I would like to allow each member of the committee to put at least one question.

Jackie Baillie: Thank you. I will be very brief.

I am struggling to understand your first point, cabinet secretary, which is that a company's being paid in dollars is somehow a good thing. If you study the price of the pound relative to the dollar, you will understand that companies that are paid in dollars are suffering an immediate loss. I do not understand where you are coming from on that.

Secondly, I asked you specifically about the economic strategy. When is the action plan coming and when will we see the comprehensive measurement framework? I do not think that I heard a response on that.

Keith Brown: I have responded to that latter point in the chamber previously, and I mentioned things such as our manufacturing system and the different elements that we are putting in place on productivity and infrastructure.

My point about dollars and the oil industry was that the price of oil is in dollars, which is why some people have said that there has been an uptick for them. Despite the fact that Jackie Baillie is not too keen to hear from more people, perhaps one of the officials can comment on that.

I have mentioned in the chamber the different aspects of the economic strategy. The point that I was trying to make in responding to Jackie Baillie's first question was that of course we have to look afresh at how we do that because of recent events.

It would be useful to hear from Simon Fuller.

Simon Fuller: The oil-price point that was being made was that, when companies that are operating in the North Sea sell their oil, it is priced in dollars. Obviously, when they take that money back to the UK, they are in effect repatriating it and changing it back into pounds. Therefore, for a company whose operating costs such as labour costs are primarily in sterling but which exports its products and sells them in dollars, the exchange rate movements that we have seen in the past few days will, in essence, provide a fillip when it takes that money back into the UK.

Jackie Baillie: I am sorry, convener, but I have a very quick point to make. One company has contacted me this week to say that it is suffering an immediate loss because of that selfsame exchange rate mechanism. There are swings and roundabouts.

The Convener: What happens will, I presume, depend on the company.

Andy Wightman (Lothian) (Green): I have a couple of quick questions, the first of which is to the cabinet secretary. What is your definition of sustainable economic growth?

Keith Brown: For a fuller explanation, you can look at the Government's statement on its economic strategy, but obviously the definition is growth that is sustainable, in terms of the economy, the environment and human resources. For example, on fair work practices, it is not, in my view, sustainable to have work practices that are so punitive that we do not get the full benefit from employees—that have such a detrimental impact on the workforce that we do not get their full potential. The same applies in relation to the environment. We want an economy that uses the environment and that works with it sustainably. I do not think that the definition of sustainable is all that challenging—it is fairly obvious. If we have something that sustains itself over a period of time rather than burning itself out, either in terms of the economy, the workforce or investment, we have something that is sustainable.

Andy Wightman: Very briefly, on energy, the Government has a target of 2GW of community and locally owned renewables by 2030. Given cuts in feed-in tariffs and your intention to produce an energy strategy, what plans do you have to ensure that the target is met, and possibly exceeded, given that it is a potentially more resilient part of the renewable energy sector?

Paul Wheelhouse: I am glad that that point has been raised. We have a number of reasons for supporting community energy—not the least of which is that the benefits from delivering the energy can be felt at local level and the local community gains from the profitability of the scheme.

Mr Wightman is right about the changes in financial subsidies that the UK Government has implemented. Obviously, the Scottish Parliament no longer has, as a result of a decision that was taken in the House of Lords, powers to legislate on issues such as renewables obligation certificates, so we have to try to exert influence through other means. We can do that through the overarching energy strategy that we will develop over the course of this calendar year, and which I hope we will publish by the end of this year. That will work in parallel with the third report on proposals and policies, which is the Government's climate change strategy. The two documents are interlinked.

Obviously, energy is critical to delivery of our climate-change ambitions. We are seeing a change in our stance on energy, and we are trying to encourage more local and community projects. We are confident that we are well on our way to achieving the 2GW target, although I acknowledge that it is becoming more challenging. In developing the energy strategy, we have to try to look at all the interventions that we can bring to bear to support the development of community projects.

In the early phases of my new role, I am particularly interested in examining opportunities in community hydro projects, which have taken a bit of a hammering because of the impact on them of the depression in feed-in tariffs. The situation has created uncertainty for investors. I am interested in identifying other opportunities in order to resurrect some of those projects. Like the cabinet secretary, I am open to contributions and constructive ideas from round the table, including from Mr Wightman, as to how we can achieve that. There will be an open door; I am happy to meet Mr Wightman to find out any thoughts that he and the Green Party have on the subject.

More generally, we set out in our manifesto plans for creating an energy company. I hope that members will take an interest in that policy area.

Gil Paterson (Clydebank and Milngavie)

(SNP): The minister mentioned the Beatrice wind farm. Is the Government assessing the impact on businesses in Scotland of the downgrading of the UK pound? Can any assistance be given to people who are investing right now and are caught in the middle of this cycle? Are we talking to the UK Government about what is happening? I know that the Bank of England is putting in money, but are departments in Scotland considering assisting businesses that are caught in the cycle right now?

Keith Brown: As I said at the start, our engagement with businesses involves a rolling programme. In addition to the conversations that I have had in the past few days, Paul Wheelhouse has had conversations with representatives of a number of sectors.

We have many processes by which we can stay in touch with businesses. I was speaking to the Scottish Chambers of Commerce over the weekend, so we have conduits through which we can find out if there are particular pressures on specific sectors or businesses. I have spoken with businesses to say, "Let us know. You know your business. If you feel there are pressures and we can help out, we'll do that." The businesses with which I have spoken so far have said that they are grateful for that contact and that they will use that help if they feel that they need to.

Gil Paterson mentioned the Bank of England. The First Minister spoke on Friday morning with the governor of the Bank of England, and I was party to that call. The governor gave assurances in relation to the markets and the money that the UK Government has on standby to use to support the markets. We have had that conversation and that reassurance, and there are to be further meetings between the First Minister and the governor of the Bank of England in that regard.

The third part of Gil Paterson's question was on relationships and discussions with the UK Government. I will meet four, or maybe five, UK ministers in the next 10 days. That level of engagement is reflected among my colleagues. We obviously want to discuss major issues. Some of the meetings were originally set up for different purposes, but they will now include discussions on the impact of Brexit. The conversation is happening right across Government.

Dean Lockhart (Mid Scotland and Fife) (Con):

I thank the cabinet secretary and the minister for taking time out to meet the committee today. Given the uncertainty over the EU referendum—there is no doubt that there will be significant uncertainty arising from it—we are keen, as we discussed before the meeting, that the committee continues to look at issues and is not distracted by the EU referendum. There are key underlying issues that we can still address. Exports to the EU

account for only 15 per cent of Scottish exports, while exports to the rest of the UK account for something like 60 per cent. Although the EU question is important, we are keen to continue the business of the committee without distraction.

Given that this is our first evidence session, I have a more general question for the cabinet secretary about the structure of the Scottish economy. In each of the past seven years, the Scottish economy has underperformed relative to the rest of the UK in terms of gross domestic product growth, and it is currently underperforming relative to Wales and Ireland. That seven-year period included a point at which oil was above \$110 a barrel, so it is not just a question of oil and gas prices.

I would like to hear the cabinet secretary's views on the structural issues that we face as an economy. Given the skills that we have as a country, we should be performing better in GDP growth. At this stage I do not venture to offer answers, but we should be looking at productivity and the skills gap. Unemployment is at 6.2 per cent, but we have a significant skills gap in the economy, there is a lack of funding and resources for innovations and new businesses starting up, and the public sector in Scotland is far larger as a proportion of GDP than is the public sector elsewhere in the UK.

This is our first meeting with you, so I am not asking for all the answers now, but I would like your initial thoughts on the priorities in your policies and under the committee's remit for addressing what seems to be a structural issue in the Scottish economy that means that it continues to underperform compared with the rest of the UK.

11:45

Keith Brown: That is a good question. Perhaps I will write to the member on his point about GDP. To take an historical perspective, Scotland has for the best part of my adult life been substantially behind the rest of the UK on a number of indicators, although we have also been well ahead of the UK on a number of indicators in the past seven years.

Mr Lockhart's underlying question is about what the key areas are. He mentioned productivity, which must be a key issue for us. Members can imagine that, in considering productivity, we will look closely at innovation, not least because it is in the title of Paul Wheelhouse's job. We have mentioned Scotland can do, which is about how we increase innovation and entrepreneurial take-up—which is the point of much of what we are doing.

Mr Lockhart mentioned the level of exports to the rest of the UK and to Europe. We have serious

ground to make up in going outwith the UK. What can we do to make the culture, especially among our small and medium-sized businesses, much more export oriented? What is the obstacle to that—is it cultural or regulatory? We need to get to the bottom of that. I am not saying that I am the first person to look at that or that resolving it will be easy.

Boosting economic performance involves increasing investment in Scotland—Ash Denham's point about R and D is important, because R and D is a feature of strong economies. One factor might be that the UK economy is lopsided, in that London sucks much investment from the rest of England, never mind the rest of the UK. However, we must improve our productivity. We have had an improvement of about 4.4 per cent since 2007, which is substantially higher than the figure for the UK, but not nearly as much as is needed.

We need to change the culture on innovation and change the exports hit rate for our small and medium-sized enterprises. The same companies tend to export and to grow the exports, so we need to get many more of our companies exporting. That is partly why the skills agencies are to be reviewed.

Another leg of what Dean Lockhart talked about is the skills that we must have in the economy not just now but shortly; we must anticipate what will be needed so that we have the skills to give us an edge.

There are several aspects and I have highlighted areas that we are looking into. Perhaps it would be useful to write to Dean Lockhart with our views on relative economic performance and with a fuller answer on the different aspects.

Paul Wheelhouse: I agree absolutely with everything that the cabinet secretary said. I will give a specific example. We have touched on renewable energy, which has been one of Scotland's fastest-growing sectors for some time. It is countercyclical, in that investment in it was made throughout the recession. We have had billions of pounds of investment in onshore wind, and investment is increasing in offshore wind, which is providing employment opportunities at Nigg energy park and in yards in Fife and elsewhere. Great opportunities are arising from that.

The Scottish Government fully supports the renewable energy sector, which I believe has broad support across the Scottish Parliament and civic Scotland—notwithstanding local tensions about planning applications, which I fully acknowledge. Industry is desperate to invest in the sector in Scotland, which has the natural advantage of the energy resources that can be used to develop the sector. However, external

policy influences—I am not making a big constitutional point—in the form of recent unhelpful UK Government decisions about its position on technology have choked off investment.

We need to reflect on the fact that the Parliament can play a role in liaising with the UK Government, and we need to say, "Look, this is unhelpful to the development of Scotland's economy. There is broad support for the sector, we have great opportunities, and it is creating jobs around the country." I do not deny the UK's democratic right to change policy in respect of decisions in England and Wales, but the move has had a detrimental effect on a growing industry in Scotland that has been powering our economy through a very tough recession. That has not been helpful, and we could do far more to develop that sector if the situation was more conducive to supporting it. We might be able to work together on a case for taking a different approach to supporting the renewables industry, and it is an example of a sector where we might be able to take a lead.

Richard Leonard (Central Scotland) (Lab): Mention has already been made of the manufacturing action plan, which was launched in February. Will the cabinet secretary update us on where we are with its various action points? For example, has a decision been taken on the location of the manufacturing centre of excellence? How extensive has the work of the workplace innovation service and the leadership development programme been, and where have we reached with the enhanced asset reviews by the Scottish manufacturing advisory service, which I think had a target of 600 over three years?

Keith Brown: First of all, given that the manufacturing action plan has only recently been produced, many of those questions, including the first one about the location of the centre of excellence, have not been resolved. Different interests are being taken into account.

Beyond that, although the manufacturing action plan is very useful in its own right, speaking as someone who is new to this position, I would like it to be extended further to turn it into the kind of industrial policy that used to be fashionable. It is all very well to have manufacturing—and we have done a tremendous job in ensuring that we continue to make steel in Scotland—but we must also look at what the steel is being produced for, the raw materials that come into it and so on. It is all about how those things hang together.

I am happy to write back to Richard Leonard on the various points that he has raised on the manufacturing action plan but, as I have said, I am new to this position and I want to take a wider view of the matter. There are certain things that I will be

able to make public shortly that will demonstrate that we are taking a more holistic approach.

Over the past 30 or 40 years, manufacturing has been almost like a dirty word. People seem to have given up on the idea that we can be a significant manufacturer, but I am not willing to accept that and, of course, that is why my predecessor instigated the manufacturing action plan. We might well have opportunities to flesh out an industrial policy, and that might be even more the case given the events of the past three or four days.

I do not know whether any of the officials wish to come in on that.

Simon Fuller: I have nothing to add.

Richard Leonard: I welcome and am very encouraged by that response because, after all, this is a plan, not a strategy, and what we need is a strategy.

The Convener: Do you wish to respond to that, cabinet secretary?

Keith Brown: On the very point that Richard Leonard has made, I think that it is good to have a manufacturing action plan, but it has to sit within a wider context. Perhaps we should find a new buzzword for the idea of an industrial policy; after all, it is so long since people talked about it. It is a bit like the old alternative economic strategy that used to be talked about.

Nevertheless, it is very important for any such approach to hang together, and that is what our review of Scottish Enterprise and the other bodies will flesh out over the summer. Perhaps one of our previous weaknesses was to think too much in isolation about different manufacturing opportunities, and such an approach does not stack up unless you have the manufacturing base, the supply coming in and, downstream of that, the right access to markets for what has been manufactured. I think that there are real opportunities in that respect.

As I have said, though, I am new to the position. I am happy to flesh things out in more detail in the weeks and months ahead and to write to Richard Leonard on some of the specific points that he has made.

The Convener: Before I bring Gillian Martin in to ask her question, I am conscious that the minister has to leave at 12, so I would like Mr Wheelhouse to clarify a particular matter. I believe that energy efficiency falls within his portfolio, but does fuel poverty fall within it too?

Paul Wheelhouse: First, the Government is trying to set out a less silo-driven path, and we are working together with ministers across Government on all these themes. However,

clearly, responsibility for energy efficiency is fully devolved to the Scottish Parliament, and we will be taking forward that area as part of the energy strategy.

We will consult other Government colleagues on housing and other areas when developing the energy strategy. We will develop a whole-system approach, so the strategy will look not just at the supply of electricity—people tend to focus on technologies such as renewables and nuclear—but at how we use our energy. That includes how we use not just electricity but heat and fuel for transport. Fuel poverty cuts across all those areas.

Whatever energy strategy we develop with colleagues will be one that not only has at its heart delivery of our climate change strategy, but tackles our statutory obligations on fuel poverty. Fuel poverty is a good example of cross-portfolio working. Although it features in my portfolio interests, it will also feature in the discussions around the climate change strategy and the work of the cabinet sub-committee that will be led by Roseanna Cunningham. We are also engaging with the UK Government on energy market regulation to see how that influences the ability to deal with fuel poverty.

The Convener: Maybe the question is who will take responsibility for the policy, which may cover a number of areas. Perhaps you could provide that in writing to the clerks—

Paul Wheelhouse: I can clarify that. My colleague, Angela Constance, the Cabinet Secretary for Communities, Social Security and Equalities, has fuel poverty in her responsibilities. I am just making the point that we will be working very closely together. Clearly, fuel poverty is very relevant to the energy portfolio and to the delivery of energy supply, as well as to the strategy, which will look at how we can help consumers to save energy and thereby improve their family finances.

Gillian Martin (Aberdeenshire East) (SNP): I have been asked, and I am happy, to disclose that I am the parliamentary liaison officer for the Cabinet Secretary for Economy, Jobs and Fair Work.

Cabinet secretary, I was going to ask about loan guarantees, but I suspect that you will not be able to give me an answer, because you are having meetings on the issue in the coming weeks. Given that you probably do not have an answer on where we are with the Westminster Government on the matter, it is important that you explain why loan guarantees are so important to businesses in the north-east and the oil industry in terms of innovation and keeping skills in the area.

Keith Brown: I am happy to do so, and the energy minister may want to say a couple of words on the issue, too, if he is still here.

Paul Wheelhouse: I apologise, convener, but I might have to leave during the cabinet secretary's answer.

Keith Brown: When Paul Wheelhouse and I went to visit the industry, we heard from companies—not the big ones, such as BP and Shell—about the requirement for loan guarantees, especially for infrastructure works. A particular issue that was raised was that if some people are withdrawing from certain oil fields, the infrastructure costs fall on fewer businesses. If the fields are not decommissioned, ahead of when they would naturally come to the end of their useful life, are they no longer used because nobody is able to pay for them? The same was true for investment in further infrastructure to support production or even exploration. So, there was a clear request in relation to that.

By and large, the companies were grateful for the other measures that the UK Government included in its budget. They had lobbied for the measures and got some of them. Obviously, they wanted other measures, too, but they were pleased. However, they thought that they had made progress on loan guarantees but, apart from them being mentioned in the budget, nothing is being done about them.

I do not think that there is a great deal of difference in the views of industry and of the UK and Scottish Governments. However, there is a lack of appreciation on the part of the UK Government about the need for pace. Things will start to happen very quickly if there is not the required investment, and in order to make that investment, some of the companies need to have loan guarantees.

Loan guarantees happen in other sectors; they are not unusual. Our plea to the UK Government, which we know is sympathetic to the issue, is that it needs to get on and take action because, if it does not, the implications could be very substantial.

I should also mention that the industry felt that, despite their having a good hearing on the budget proposals, in other areas, such as on petroleum revenue tax, it was not being taken as seriously as it might be because it is not paying the tax. The UK Government was saying as much—that this is not an industry that is paying tax. However, the supply side of the industry has generated more than £600 million from people paying income tax and companies paying corporation tax. The tax receipt from the North Sea industries is now huge.

Companies told us that there is no point in the UK Government taking three years over this—it must be sorted out in three weeks or three months. The loan guarantees that are being sought need to be provided quickly.

12:00

Paul Wheelhouse: I will respond briefly, which might annoy my private office as it means that I will not be leaving promptly. The cabinet secretary is right about the need for urgency. As many people will have observed if they have gone round Scotland's coasts, exploration rigs and other equipment are sitting idle. The utilisation rates for such equipment are far lower than usual. I appreciate that there are differences of opinion about developing more hydrocarbon fields, but I make the technical point that the rigs will cost a lot more to bring back into use if they lie idle for a long time, because they will need to be brought back into serviceable condition from a cold start—that is the description that we were given. They are literally rusting in the sea lochs and firths while they are not being used.

The industry has an incentive to ensure that the UK Government realises that through loan guarantees and other mechanisms, it can support the industry to maintain the assets, which will prevent wasteful expenditure down the line when fields are brought back into use or new fields are explored. Smaller operators that do not have huge balance sheets behind them have a disincentive to invest, because the cost is high—£10 million plus might be needed to bring a rig back into serviceable condition—especially if there is no financial support for them.

The Convener: While oil prices are lower, is it better to retain rather than dismantle the infrastructure for oil platforms in Scotland, so that it can be brought back into use as and when the oil price improves?

Paul Wheelhouse: I think that the industry is referring not to decommissioning but to rigs that ideally would be used in Scottish waters for Scottish fields but which are deteriorating while they sit idle. Different maintenance schedules can be applied, some of which would in effect keep the rigs even ready—ready to go—but there is no incentive for that, given the lack of investment in the pipeline. Rigs will have to be brought back from a cold start, so the costs will be higher, which places a greater financial burden on operators—it is operators, rather than rig owners, that pay to bring a rig back into use.

I just wanted to flag up the issue. Loan guarantees and other mechanisms might help to bring production and exploration activity back into play, which would allow the assets to be maintained more regularly.

The Convener: Does Gillian Martin have follow-up questions for the cabinet secretary—or the minister, while he is still here?

Gillian Martin: I ask to find out as soon as possible the result of the cabinet secretary's

negotiations. As I am a north-east MSP, quite a lot of industry representatives are contacting me about this pressing issue.

Keith Brown: I have written to the Chief Secretary to the Treasury and I think that I will meet him next week, when I will take up the issue. I will be happy to update the committee on the outcome in due course—my expectation is that I will have made the case and he will, I hope, have said that he will look at it.

One of my officials wishes to contribute.

Andy Hogg: The cabinet secretary will meet Greg Hands on Thursday this week.

The Convener: So the meeting is on Thursday.

Andy Hogg: Yes.

The Convener: I thank Paul Wheelhouse, who has to leave now, for his attendance.

John Mason (Glasgow Shettleston) (SNP): With the convener's indulgence, I will touch on a few areas that have not been mentioned. The point has been made to us that housing is an important part of the economy. One part of housing policy is giving people decent houses, which is a separate question; but do you see housing as an important part of the economy in relation to jobs and so on?

Keith Brown: Yes. Housing is not part of my portfolio, but it is extremely important not just because people need warm, dry, safe and attractive places to live but because—to return to my portfolio—a good housing supply attracts companies to locate in particular areas. Housing is important to the economy and in its own right.

John Mason: I understand that a review of Scottish Enterprise and Highlands and Islands Enterprise is going on. I am less familiar with HIE, but I think that historically its remit has been different from Scottish Enterprise's. If I am correct, Scottish Enterprise falls under your remit, but HIE does not. Why is that the case and how is the review going?

Keith Brown: Fergus Ewing's remit includes rural issues, connectivity and so on, and there is a natural alliance, if you like, between that and HIE. We have a fairly close working relationship and will work across on that. Issues of the economy that I am dealing with will impact on rural areas, and we will have joint working on those.

Your other question was about how the review will work, am I right?

John Mason: Yes. Given the new challenges that we are facing after last week, should Scottish Enterprise's review be a priority, or should it just be out there, doing its work?

Keith Brown: It continues to be a huge priority. One body that will be involved in the review is SDI. Jackie Baillie or somebody made the point that we are at a crucial point for potential investment and disinvestment, and we have to make sure that SDI's eye remains on the ball in relation to that. However, the review will proceed. It will be informed by some of the things that we have to confront as a result of the Brexit vote last week.

There is a short period for us to achieve the review—it must be finished by the end of the summer, so it will not linger for a long time. However, it is extremely important.

Nothing seems certain at the moment, but we are told that article 50 will not be triggered until October, or perhaps later, and then there will be a two-year period after that. The environment that we are in will continue for some time, so it is right that we bash on with the review of the enterprise agencies, the Scottish Further and Higher Education Funding Council and Skills Development Scotland.

In fact, you could say that if we had not planned the review, after the vote happened we would have had to do some pretty quick work to ensure that we are pointing in the right direction to deal with some of the vote's implications.

John Mason: Another part of your remit is fair work. When we face challenges in the economy, the fear is that we want jobs at any cost and that fair work aspects, such as the living wage and ensuring that women get their fair shot at jobs, become secondary. How do you see those things balancing up?

Keith Brown: That is a very good point. As you say, when things become pressured there can be the temptation to save jobs at any price. However, the thrust of what the Government is doing and what the First Minister has said is that we believe that Scotland has voted to stay in the EU and we intend that Scotland should stay in the EU. If we have that approach, we cannot reasonably start to lower our standards on fair work practices, many of which are underpinned by European legislation.

Much of what we have done on procurement—although we cannot insist upon it under European regulations—has been to drive up the number of people being paid the living wage, for example. For us to continue to maintain and improve standards for employees is entirely consistent with the Government's approach of wanting to stay in Europe, for the benefits that it brings, not least to employees.

John Mason: Quite often when we discuss the economy and other factors, the comparison is with the rest of the UK. Do we sometimes overemphasise that? Should we compare

Scotland with other countries such as Denmark, the Netherlands and Ireland?

Keith Brown: That is a very good point, and I agree with it. We cannot lose sight of the point that Dean Lockhart made about how important the rest of the UK is to the market in Scotland, but you are right. If you look at Scotland's performance, you see that its 1.9 per cent growth is there or thereabouts the rate in other small European countries. However, one does not want to set that as the ceiling; one wants to achieve the highest performance possible.

Given the fact that hitherto we have been part of the UK and the fact that the Office of National Statistics and other statistic-gathering mechanisms are based in a UK context, it is perhaps inevitable that people want to make the comparison with the rest of the UK. However, you are saying that perhaps we should be much more willing and keen to compare ourselves with comparable nations and economies around the world. That evidence is out there already, and perhaps we should be doing a bit more of that. It gives a more objective context within which to judge the Scottish economy's performance.

John Mason: Thank you.

The Convener: Cabinet secretary, you talked about staying in the European Union—of course, whether or not we are in the EU, we are part of Europe, as a matter of geographical and historical fact. Surely it is the responsibility of the United Kingdom Parliament to deal with issues to do with our relationship with the European Union and with international relations. Your position, and that of every member of this committee, is that the Scottish Parliament exists under the Scotland Act 1998, which sets out in paragraph 7, part I, schedule 5 that international relations are reserved to the United Kingdom Parliament. Will you clarify your position?

Keith Brown: Yes. I can say, having been a member of this Parliament for the past nine years—although that is not as long as some members—

Jackie Baillie: Does he mean me?

Keith Brown: This has always been an outward-looking Parliament, which has had international relations through an external relations committee or another committee. It is also true to say that the Scottish Parliament and the Scottish Government have regular and extensive discussions with the institutions of the EU. That is not going to change; indeed, I think that such engagement will expand because of the vote that we have just had.

The UK Government has responsibilities with regard to international relations; the Scottish

Government has the responsibility to reflect the fact that 62 per cent of people in Scotland voted to stay in the EU. That is a responsibility that we take seriously and intend to prosecute. The Parliament will debate the matter later today. It is absolutely the responsibility of the Scottish Government to have regard to what the Scottish people have said.

Jackie Baillie: For the record, I might have been here for a long time but I started very, very young. [*Laughter.*]

Let us return to the review, which is important. We support the review and agree that it should happen. However, I encourage you to reflect on the timetable. I think that we are all aware that organisational change is not necessarily the most important thing and sometimes leads to a degree of navel gazing and protectionism, which diverts attention from the organisation's main purpose. Given what we know about the potential impact of the EU referendum, there are not many people who will criticise you if you choose to extend the timetable slightly. I invite you to consider doing that.

Keith Brown: That is a fair point, which we will consider.

Notwithstanding recent events, it tends to be the case that if a certain amount of time is set for doing something, the activity takes up that time, regardless. I am loth to set aside more time, because we will inevitably just use it up.

On your point about institutions defending their corner—I forget how you phrased it—I think that the officials to whom I have spoken since I was given my remit would tell you that that is not how I intend the review to be conducted. We will be able to say more about this in the next week or so, but central to the review will be how people use and benefit from the agencies' services; it will be much less about saying, "This institution has done a great job; leave us alone." I hope that what we announce in the next couple of weeks—perhaps even next week—will reassure you on that point.

I am grateful for your offer of no criticism in the event of an extension to the review timetable. I will bear that in mind.

The Convener: Gil Paterson is next.

Gil Paterson: Let us not talk about age when it comes to me. [*Laughter.*]

I have a couple of related questions. When will the promised powers on fracking come to this Parliament? When that happens, will the final say and veto rest with ministers or at local government level?

Keith Brown: On the latter point, it has always been our view that that should be a ministerial decision. On the exact timescales, perhaps one of

the officials will comment. This is when we really miss the energy minister, who has left the meeting.

I will be happy to give a timetable on how we intend to deal with the matter. Some of the licensing powers have already come to Scotland, and I do not think that when other powers come to us is a material issue. We are carrying on with our evidence-based review, and the moratorium will continue through that period, so I do not think that our waiting for additional powers is a material issue. Andy Hogg might say more on that.

Andy Hogg: The research projects to inform the consultation are under way. I hope that they will report towards the end of summer, to enable consultation to take place after that.

12:15

Dean Lockhart: I have a brief question, cabinet secretary. To help the committee to focus on its remit and work during the recess, will you say whether there is any prospect of changes or tweaks to the Government's economic policy—the four Is strategy—in light of the EU vote or anything else? Is the strategy the benchmark for economic policy going forward?

Keith Brown: That is a good question. It is hard to see how any of the four Is that underpin the policy would cease to be relevant, but you make an important point about how circumstances have changed. We are looking at how the changed circumstances should impact on how we drive economic policy.

If I may come back to a point that I made earlier—and this is meant genuinely—if any member thinks that there are issues that the Government should take on in that regard, we will be more than happy to listen to them. The underlying point is that we are in pretty new territory, and there is no way that someone can have a 360° appreciation of all the opportunities and threats, so the more people who are considering the matter with Scotland's interests at heart, the better. We are more than willing to listen to what people say.

With the exception of our review of what we are doing in light of the changed circumstances, I do not propose changes to the strategy. I cannot see circumstances in which the four Is would not be as applicable as they are now, but if members have suggestions we will look to incorporate them.

The Convener: If members have no more points to raise with the cabinet secretary, I thank him for coming and for setting out his position.

Decision on Taking Business in Private

12:17

The Convener: We must deal with a few housekeeping matters. I should have said at the outset that we received apologies from Gordon MacDonald, which are noted.

The next item is a decision on dealing with items 3 and 4 in private. Do members agree to do that?

Members indicated agreement.

The Convener: Thank you. We move into private session.

12:17

Meeting continued in private until 12:58.

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