

# **Growing the Future – the View from Edinburgh**

**Edinburgh Chamber of Commerce**

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## **Foreword**

Edinburgh Chamber of Commerce is the lead business representative organisation in Scotland's Capital City. With some two thousand member companies employing well over 100,000 people in the City and many more beyond we represent interests that generate multi billion pounds of wealth for the Scottish economy.

This is what pays for social welfare – directly through the money that employees take home and indirectly through taxation, which the government redistributes as vital services in Health, Education, Infrastructure Development and other public sector services as well as guaranteeing people's personal incomes.

If people want a good standard of living – adequate housing, decent health services and education for their children, safe streets and adequate services, then they need a vibrant economy to make a cake of public services they can enjoy.

But if the City of Edinburgh is serious about leading the pack in what is increasingly a global economy they need to do much more than that. The icing on the cake is that we create and maintain the environment for our City in a way which will attract and keep the very best of talent, whilst never forgetting that others may not be as fortunate as we are.

We have the finest arts scene in the world through our vibrant festivals programme. Our magnificent City architecture is an icon of the peak of Georgian culture as good as any built environment in Western Europe. And we have added many modern buildings of exceptional quality to enhance that foundation. Our four Universities and three Colleges of Further Education give us an educational foundation the envy of the world. Only Cambridge has a higher standard of education amongst its workforce in the UK. We have more eating houses per head of population than any other UK City. We are surrounded by sporting and countryside opportunities that offer leisure heaven. Our financial services sector still sits second only to London. Our airport is the fastest growing in the UK with over one hundred international connections. With over 60% of our population born outside the City we are one of the most cosmopolitan and well endowed capitals in Europe. And this from a 'small country'.

Time after time our City triumphs in awards nationally and internationally which vindicate these claims.

But one of the reasons that Edinburgh Chamber of Commerce is 'UK Chamber of the Year' is our aspiration to always do better than we have done in the past.

From the City that was the birthplace of the Enlightenment this should be no surprise.

This is not a manifesto – for we are not a political party. But it is a call to action for all political parties, and it is based on the daily feedback we get from our members. Successful business sits at the heart of Scotland’s economy. Without a successful economy how can we have the public services we all need and appreciate?

Wealth creation powers a safe, caring, healthy and enlightened society. All politicians need to listen to what their business constituents have to say, and all entrepreneurs have to accept their responsibility in assisting the building of a successful economy.

We have a strong view that business, with a supportive environment, can develop itself, providing employment and opportunity for people at all levels. So this is not all a shopping list for ‘what we need from government’. It is also about what we in business believe we can do for Scotland, its Capital City and the wider City Region.

Edinburgh Chamber of Commerce sits within the networks of Scottish and British Chambers of Commerce linked onwards through Europe and internationally to be the widest business network in the world.

That aptly espouses the scope of our vision. We seek to give businesses the best chance of trading successfully, and through our commitments to Corporate Social Responsibility to share the surplus so generated for the welfare of the community in which we live and work.

**Robert Carr**  
**President**  
**Edinburgh Chamber of Commerce**

## **EXECUTIVE SUMMARY**

There is no doubt we live in interesting times. After the worst economic downturn in living memory the race is on to turn our financial situation around and to climb back up the global competitiveness stakes. This 'View from Edinburgh' is a deliberate and considered anthology of views from member companies of Edinburgh Chamber of Commerce. Whilst it is influenced by the wider business community through our partnerships with Scottish Chambers and British Chambers of Commerce it falls to us to define what the Capital's businesses want for Scotland.

Currently we are heading for a series of three elections in three years, Westminster, Holyrood and local elections following each other in 2010, 11 and 12. Naturally these opportunities for realigning our political leadership attract debate, and this is our opening contribution.

There is a mutual dependence between the Capital and the wider economy of Scotland. As the City with the largest contribution to make to Scotland's wealth, there is a duty of care in both directions. Edinburgh Chamber of Commerce strives to act responsibly in the nation's interest, but it also seeks to achieve the same support for Edinburgh from the wider nation. For the City of Edinburgh to continue to deliver for Scotland we need to see commitments to:

The development of **globally competitive infrastructure**, including:

- A new Forth Crossing
- Rail electrification
- Inclusion in the expansion of Britain's High Speed Rail network from the outset
- Proper support and access for Edinburgh Airport's growing future demand
- The rejuvenation of Leith Docks with new gates and a Liner Terminal
- A freight system that can deliver safely on time and unimpeded
- A broadband network comparable with the best in the world

The development of **our built environment** to match the best capitals in Europe by:

- Completing and extending the tram system and fitting it with our existing excellent bus network
- Transforming the Public Realm to an accessible attractive and uncluttered state
- Rejuvenating the construction market, in particular to catch up on the backlog of affordable housing and to get back on track with building commercial premises which will attract the best investors to the City
- Developing our planning accord with the City of Edinburgh Council to ensure swift and agreeable solutions to the City's development needs

These aspirations cannot be met unless we can devise **funding solutions** which work, by:

- A virtuous circle of attracting inward investors through the measures above
- Innovative solutions from the public sector such as TiF
- Public private partnerships as being developed by Scottish Futures Trust
- Generating public support for the improvements to be won
- A ready solution is to hand if we revised how we deal with non-domestic rates to allow the City a greater proportion of its tax take to reinvest in success

The rebuilding of **energy security**. Edinburgh Chamber of Commerce is committed to:

- Increasing the sustainability of our existing generating capacity in the City Region
- Partnership in the Scottish Government's commitment to a low carbon economy
- Supporting co-operative working between the existing companies in the City working in the sector of renewable energy
- Building the skills base and the accumulative benefits of a South Eastern energy cluster
- Developing a world class service sector support for our manufacturers to grow exportable products and services

Growing our other **sunrise industries** in partnership with the public sector:

- **Bio / life** sciences through the Little France medical park and university spin outs
- Recognising and supporting High Tech **high value manufacturing** which already exists in the City
- Backing the wide ranging talents in our **Creative Industries** from the arts to animation, software to sales skills.
- Our world leading **infomatics** centre is but one aspect of the need to stay ahead in the ICT sector.

None of this will be achievable unless also we recognise and grasp the challenge of public sector reform. With Public debt as large as it is, and interest payments for the UK higher than Scotland's budget, we must reform our public sector to be as productive as our global competitors. The private sector must put up its hand and be counted in to play its part in achieving that goal. For partnership between the private sector and government, both local and national, is the only reliable route to success.

The greatest strength in our City is, as always, our people. With one of the most powerful business services sectors of any City economy in the UK we have the structure to support all our imaginative ideas expand into global markets. Our first class education system will continue to play a role. Our duty to every young person who is not currently economically active is to ensure the recovery includes them, and that for anyone displaced by downsizing there is a new role available for their experience and talents..

I have the greatest faith that with proper political support we can rebuild the economy of Edinburgh to lead forward Scotland's recovery, slowly and steadily. The following ideas give some more detail on how Edinburgh Chamber of Commerce believes it can be achieved.

**Ron Hewitt**  
**Chief Executive**  
**Edinburgh Chamber of Commerce**

## **Introduction**

The debate intensifies on how to move Scotland and the UK into a new era of growth after the recession of the last two years.

Business, as the engine of wealth creation and prosperity, must inform that debate. This document is intended to set out the priorities for Edinburgh business in the context of the Scottish and UK wide economies.

This document sets out Edinburgh businesses' public policy priorities for 2010. Although it is a general election year for the Westminster Parliament, we do not seek to compartmentalise our concerns into 'reserved' matters as opposed to 'devolved' ones for we recognise that many policies which fall into one category are influenced by the other. The economy, and the central part that business has to play, cannot be so easily defined. It is universal, and so this document addresses key themes that are of relevance to politicians at all levels - UK, Scottish and local.

### **Without Vision We Have No Goal**

There are grounds for optimism for the future. Despite recession, many of the fundamental ingredients remain for a resurgent economy: an innovative business base, with several strong sectors; relatively flexible labour markets; plenty of capacity; strong trading relationships and sound institutional structures.

At the same time, the budgetary and economic crisis gives us an opportunity to rethink old mistakes and recast policy approaches through aspiration as much as necessity.

We envision an emergence from recession with a renewed sense of purpose, so that in the medium term we can grow stronger than we were before it. Specifically, that means Scotland achieving UK levels of growth, and the UK itself rising up the growth league table. As Edinburgh has led the way in many of the statistics the success of the capital will continue to offer key leadership to the whole country. It also means forging a new relationship between public and private sectors that underpins excellence in public service and a stronger society.

## **The Big Picture**

Government does not create wealth, but it does frame the conditions for economic growth. Strong government provides a secure, light-touch environment that allows business to flourish. We fully agree with Crawford Gillies, Scottish Enterprise Chair, that *'Creating a stronger and more successful economy will have a profound impact on all aspects of Scottish life.'* This is why we are seeking less government, not more, and espouse the principle that business must accept responsibility for driving the economy forwards.

In the years preceding the recession, the UK had built a strong economy based on open markets, secure property rights, flexible labour markets and a taxation system less onerous than some. These remain the key ingredients of long term prosperity.

Despite the financial crisis and subsequent economic contraction, Britain remains well placed to resume growth so long as this big picture of a stable, market-led economy remains intact and is strengthened.

However, the budgetary pressures on government pose a major potential threat to economic policy.

We see five 'big picture' policy areas that require government focus, both at Westminster and Holyrood, if we are to re-build a climate for economic growth.

### **1. The Budget Deficit**

- **With £ 1.3 trillion public debt costing over £45 billion in interest per annum (more than it costs to run Scotland) Britain must establish and implement a coherent plan that reduces the deficit to levels that command the confidence of international financial markets and over the medium term sets the country on a path towards budgetary balance. This is essential to retain investor confidence, secure long term currency stability, and keep interest rates low.**
- **We must avoid Budgetary instability that will make it harder for both government and industry to borrow, which would threaten Britain's credit rating, and result in higher long term taxation, reducing our overall competitiveness.**
- **Therefore whichever party wins the election, the UK government must set out a credible programme to bring down the deficit, and government in Scotland must approach the budgetary question with a similarly constructive strategy of living within its means.**

## 2. Tax

- **Edinburgh Chamber of Commerce accepts that fiscal balance requires an increase in tax receipts.**
- **Any imposition of additional tax must not undermine wealth creation, nor complicate the overall tax system nor hinder employment in the Private sector. The planned increases in National Insurance contributions do not satisfy this criteria and we therefore urge politicians of all parties to reverse this as soon as possible.**
- **Government must avoid burdening those industries and sectors where we have competitive advantage or that afford us such an opportunity, such as whisky production, a rejuvenated energy sector, biolife science, infomatics and finance.**
- **Government should consider cutting corporate taxes, which in turn would realise a greater overall tax take. (This has been the evidence form 14/16 countries which tried it in recent years – the other two maintained their existing tax take). The Government should also incentivise businesses developing low carbon projects including and in particular, technology that will realise our potential assets in wind and wave power.**
- **Meanwhile, the Scottish Government should not use its fiscal powers to increase taxes locally, such as non-domestic rates or income tax. Any such moves would put Scotland at a greater competitive disadvantage.**
- **Non domestic rates (NDR) (which are effectively a form of government taxation) should be reviewed to favour growing businesses. Edinburgh is an innovative, environmentally responsible and inspiring capital city with an outstanding quality of life and skilled, resourceful communities. Its reputation for excellence in science, technology and the arts ensures that the city is an international hub for talented, creative people and enterprises. However, a lack of investment constrains the city's economic contribution. We call upon the Scottish Government to incentivise the City of Edinburgh Council to fully exploit the city's commercial and industrial potential by allowing it to retain a greater share of earned NDR (over £1 billion earned by the City from NDR in the last ten years has been syphoned off by the Scottish government and given to others). If this money was used to enhance the city's infrastructure considerable inward investment could be attracted creating jobs Edinburgh can do far more to assist Scotland's economy if it is encouraged to succeed. We contend it is better to allow successful businesses to support themselves than subsidise failure elsewhere.**

### **3. Public Sector Reform**

Most objective commentators, as well as the main political parties and the Bank of England, recognise that public spending must be reduced. ECC believes reduced public spending is the key to eradicating the deficit.

ECC does not seek service cuts. The key to lower expenditure without hitting essential services is to reform the way in which public services are delivered. Our campaign 'Time for Renewal' has spelt out in great detail the opportunity. We need an ambitious programme to improve public sector productivity by building on supply side reforms. This is not a matter of private sector vs. public sector. Indeed our commitment as a Chamber of Commerce is to work with local and national government to the best of our ability to deliver the necessary changes.

Whilst this matters at UK level, in Scotland - where public spending per head is already some 15% higher than the UK average - there is less momentum towards reform. ECC urges the following broad approaches in public sector reform, applicable in both Scotland and the UK we advocate:

- **Public sector pay and employment to be kept in line with trends in the wider economy, and productivity must increase. With over 50% of the block grant going on public sector wages this is crucial.**
- **Better measurement of public sector performance against international comparators.**
- **New approaches to infrastructure investment, allowing private finance to fund transport and utility networks, including Scottish Water.**
- **Welfare reform to encourage employment and reduce benefit dependency.**
- **Public Sector procurement must be used to increase the opportunities available for Scottish SMEs.**

### **4. Public sector pensions**

- **Of particular concern to ECC is the growing divide between pension provision in the private and public sectors. This creates a major distortion in the labour market, and places a growing and unsustainable burden on public finances.**
- **Many public sector employees enjoy final salary pension arrangements. Any shortfall is made up by the taxpayer. This problem grows as life expectancy increases and investment returns diminish. The private sector has moved to defined contribution schemes where payments reflect changing market conditions and so are more affordable. ECC**

supports moves to encourage greater savings for retirement, but believes that all employees should be treated equally and encouraged to take more responsibility for flexible pension arrangements.

- Such a move would have major benefits at both the Scottish and UK levels. The Scottish Government's current spending on public sector pensions has doubled in the last seven years to £2.53bn, and overall faces a deficit of £65bn.
- Putting new public sector employees on a level playing field with their private sector counterparts would remove this burden over time and help solve budgetary problems confronting government at all levels.
- We call for a minimum retirement age for non-revised pensions of seventy.

## 5. The financial system

- The root of the economic crisis was a failure of the global financial system to adequately assess systemic risks that had their origins in the US mortgage market. Both government and the financial sector were at fault, and it is vital to our economic recovery that the correct remedies are applied.
- Government has taken steps to encourage business and personal lending after the system nearly froze in the aftermath of the crisis. ECC applauds these efforts and urges government to ensure low interest rates are passed to borrowers while allowing banks to rebuild their capital base.
- At the same time, there is a fine line in monetary policy to ensure that prices are kept under control.
- The government must work with international partners to arrive at a system of regulation that guards against the mistakes of the past without placing undue costs on the financial sector. The new approach should encourage competition, particularly in the provision of business finance, and new entrants to the market. The Chancellor's promise in the 2010 budget that such solutions would be arrived at in conjunction with other G8 members reduces the risk of brain drain.
- The financial sector is one of Scotland's strengths and its dynamism and diversity is a major advantage to Scottish business. We must enhance its presence and rebuild its reputation.

## A Climate for Business

### EFFECTIVE REGULATION

We recognise the need for an efficient regulatory regime to ensure health and safety at work, fair trade, and compliance with necessary fiscal propriety. British Chambers of Commerce have been measuring the regulatory burden. Since 1998, we calculate the cost to business of *new legislation alone* to be in excess of £4.8bn in Scotland.

Despite successive budget speeches promising a war on red tape and the 2006 Davidson Review of the Implementation of EU Regulation, barely a dent has been made in the morass that ties down businesses, – small businesses especially. This in itself is a major deterrent to would be entrepreneurs, and a massive hindrance to trading companies.

Some regulatory issues include:

- i. **GOLD PLATING** For example EU regulation stipulates member states must do A & B. By the time it has passed through UK enactments we find demands for A, B & C where C is not actually in the EU directive.
- ii. **DOUBLE BANKING** Where EU legislation overlaps UK legislation resulting in two sets of regulations.
- iii. **REGULATORY CREEP** EU regulation is translated into UK regulation. They then follow “guidance regulation” materials which move beyond the original intent of the EU regulation.
- iv. **SMARTER APPROACHES** It has been noted that recent EU succession states have applied slimmer and sparer interpretation approaches in implementing EU regulation. This may be something to learn from.

#### **Key Recommendations:**

- **Government must look to the way in which European legislation is implemented. Uniform scrutiny of regulatory impacts across the EU could help measure the success of policies aimed at cutting the costs of regulation.**
- **ECC are not opposed to regulation per se – it often serves an essential commercial or social purpose. Instead we want to see better regulation – achieving its purpose with a lighter touch.**
- **Devolution gives Scotland an opportunity to take the lead in addressing this agenda, and progress is being made through the independent Regulatory Review Group.**

- **Enforcement agencies need to adopt an enabling role. More governmental bodies could look to follow the example being developed here by the Scottish Environment Protection Agency (SEPA).**
- **The use of plain English in legislation and regulation alike would contribute to the easing of the regulatory burden.**
- **What may be achievable by large businesses may be utterly prohibitive to a sole trader. Accordingly, regulation should be appropriate to scale and capacity of the business in question.**
- **ECC supports the early implementation of a Business Regulatory Impact Assessment (BRIA) in order to ensure that government has a clear understanding of the impact legislation will have on business prior to its implementation.**

ECC welcomes the willingness of the City of Edinburgh Council to engage collaboratively with its recognised partner as representative of the Business Community, Edinburgh Chamber of Commerce, and to build public/private sector partnerships to deal with identified challenges.

### **SKILLS & PRODUCTIVITY**

Human capital is one of Scotland's major strengths and is key to recovery. On a national level, Edinburgh performs well with 80.5% of the working-age population economically active (Scottish average 79.7%) GVA per capita is £30.6k (Scottish average £19.2k) and 45.1% of the population is educated to NVQ4+ level (Scottish average 33.8%). But even here on a European level, Edinburgh's GDP and productivity rates are much lower than its benchmark cities. The productivity of Scottish workers is two percent behind the UK national levels. Increased productivity can have a marked effect on the UK's economy. A 1% increase in productivity generates around £1 billion additional GDP.

Despite Scotland's strong performance on delivering skills and qualifications, we lag behind the world in productivity. Business needs to be better represented when developing skills strategies and skills development and productivity must be demand-led and more employer-focussed.

Future key industries should define demand for skills development. Predicted shortages are identified within engineering, oil and gas, technology, tourism, hospitality and construction. There are also concerns about our ability to attract the right people to staff our new sunrise sectors – life sciences and renewable energy in particular. Investment into such skill sectors can help rebuild the economy and provide a stronger platform for international growth. Edinburgh Chamber of Commerce is itself actively engaged in programmes to enhance this area.

**Skill shortages** prevent businesses from growing and stifle innovation. Scotland needs to attract high quality candidates to support industry apprenticeships in engineering, technology, oil & gas and construction to counter the effects of an ageing workforce. It is important that CFE's are funded not on past performance but on future need. The

former approach (which is current) misses the demands of a growing population (as faced by Edinburgh) and leads to a shortfall of skilled individuals.

Companies offering support to staff in obtaining post-graduate qualifications should be encouraged. More resources should be committed to developing leadership, management and entrepreneurial skills to prepare future business leaders.

ICT skills are vital to the economy, society and the environment. This calls for clear strategy and funding.

## **Schools**

Despite Scotland's higher per pupil spend, attainment levels have flat-lined since devolution, whilst improving in England. Scotland's ranking in maths and science has fallen near the bottom of OECD countries. Modern languages (essential in a global economy) are treated as an also ran topic. This calls for different approaches, including better integration between Scottish Government and Skills Development Scotland to promote science, technology, engineering and maths (STEM) subjects and careers.

Effective solutions must be sought to overall low levels of achievement in literacy and numeracy. Our research shows the linking of such areas to practical outcomes is more likely to yield enthusiasm for learning.

The opportunity exists to do much better at educating young people into the benefits and desirability of employment in industry and commerce, which will in turn affect their subject choices at school and university. Business accepts it has a key responsibility here, but recognises this can only be effectively delivered in consort with educational institutes including the public sector.

## **Further and Higher Education**

Further and higher education institutes (HEI) play a pivotal role in providing skills. Tertiary education must be driven by industry demand, appropriate for business. This requires a focus on developing core skills such as working effectively with others, customer care handling; planning and organising, problem solving and workplace 'readiness' into courses so recent graduates can be effectively utilised by employers.

Scotland's Colleges should be supported to provide for the skills shortages expected over the next 10 years.

The Scottish Government has not specified how it will guarantee the long-term competitiveness of Scottish HEI. A debate on future education funding is imperative. Alternative funding options could include:

- Increased collaboration between business and university for funding placements through tax-break incentives.
- Increased collaboration between colleges and universities. For instance, sharing resources, collaborating on funding grants, developing future pathways between institutions.
- Improvement of inefficiencies throughout HEIs.

- Leveraging existing skills more effectively. For instance developing the commercialisation arms - across all disciplines - of HEIs as legitimate revenue streams.
- Expanding the funding for Knowledge Transfer Partnerships to encourage connections between universities and business research and develop innovation and entrepreneurial behaviour.

### **Key recommendations**

- **Scotland needs to attract high quality candidates to support industry apprenticeships in engineering, technology, bioscience, oil & gas and construction to counter the effects of an ageing workforce.**
- **Programmes need to be developed to enhance ‘softer’ core skills to aid effectiveness of newly graduated employees in the workforce.**
- **The importance of ICT skills to Scotland should not be underestimated. Business and government need to co-operate in developing a rational and funded strategy, in what is a constantly changing environment.**
- **A lack of progress in school results calls for a revision to the current approach to learning and points to a need for a focus on outcomes.**
- **SG and SDS must work together to promote science, technology, engineering and maths (STEM) subjects and careers in order to cater for predicted skills shortages.**
- **We must promote the importance of modern languages as a gateway to global commerce.**

**It is essential that university and college education is driven by industry demand and appropriate for business– contributing to economic recovery and growth.**

- **A debate on future education funding is imperative.**
- **There needs to be better promotion of skills services available to business, particularly SMEs. Local Chamber networks should be leveraged to effectively disseminate skills information throughout the business community.**

### **ENERGY**

Scotland has a wealth of energy resources, which have always been essential drivers of our economy. Our rich energy resources from forests and peatlands, coal, water, wind and oil and gas, have contributed to our growth and success. A reliable and affordable energy supply has been central to industrial growth in the developed world, but we are entering an era where traditional sources of energy are becoming increasingly difficult to harvest and subject to increasing global demand, rising prices and volatile global politics.

It is essential we put in place plans to maximise the life of our indigenous energy resources, whilst also considering the potential threats of peak oil and climate change.

Scotland needs a policy that addresses both the demand for and the supply of energy. This should be supported by education and incentives to provide business and the public with information and resources necessary to achieve lasting changes in behaviour and the practical implementation of physical approaches to energy conservation. Stemming demand growth should be the first priority of our energy policy, since reduced demand will have both a direct effect on lowering emissions and extend the lifespan of our finite energy resources.

Scotland needs a comprehensive, fully costed, itemised and deliverable energy policy – getting lucky is not an option. Realising our energy potential will mean that our business, academic and public sector communities will need to work together to generate the synergies required for success. Edinburgh is ideally placed to be a key driver of such an approach. As a nation we should build self-reliance in energy sources.

The imperatives for carbon reduction require the earliest and most extensive support for entry into the renewable energy market for innovative producers. They also require an adequate infrastructure to bring new electricity supplies to where the users need it, including exports.

### **Key Recommendations**

- **We must minimise usage and conserve resources. Government strategies should favour any options that enhance these objectives, for example through grants or tax breaks.**
- **National energy policy must maximise our indigenous resources to build self reliance in energy sources and so reduce exposure to uncontrollable global factors.**
- **Energy policy must welcome incremental increases in the renewable contribution. Equally our future energy choices must be reliable, able to meet the base load demand at the lowest possible unit cost, offer an equitable distribution system and be sustainable in the long term. We call for a detailed plan of future demand to show how and where new installations – and programmes of energy saving – can meet that demand. This must be carried out within the first two years of the new UK Parliament.**
- **Transition to lower carbon technologies requires we are realistic about present need. Meeting Carbon Emissions targets should not be to the detriment of the continuing exploration and development of our indigenous supplies of hydrocarbon reserves in the UK Continental Shelf.**
- **Coal is a vital resource forming a significant proportion of base load on the Grid. We look to government to accelerate the development of cleaner**

technologies including carbon capture. Given Edinburgh City Region's overwhelming contribution to Scotland's electricity demand (100% of Coal, 50% of nuclear) it is vital the region be supported in developing sustainable solutions.

- **Transfer of the world class subsea engineering skills that presently exist in the maritime industries should be encouraged into the marine renewable disciplines. Within the City region Rosyth and Methil are critical players. We commend the capacity of Leith docks for further support to the industry.**
- **Despite the problems of waste disposal, nuclear power will continue to play a role in future energy policy.**
- **The great potential for Scotland to export surplus electricity is dependent on a National Grid fit for purpose. We welcome the abandonment of higher charges for Scottish providers and call for incentives for small scale producers to also contribute back to the Grid. Government must ensure the objectives in the National Planning Framework for the grid are met and exceeded. The realistic possibility of new off shore connections for the grid must be examined in detail. New sources of renewable generators will be of little use if we cannot deliver the power to the markets where it is needed.**
- **Government support is required if indigenous renewable energy technologies are to be developed and commercialised, opening up new export opportunities. Despite our abundant wind resources, we have lost out to competitor nations in terms of manufacturing. We cannot afford to lose this opportunity regarding offshore and marine energy. We call for the creation of an East Coast Energy alliance so that Local Authorities and businesses in the region can cooperate in creating critical mass to drive forward a world-beating coalition in the field.**

## **PLANNING**

The Planning etc. (Scotland) Act 2006 came into effect during 2009, as the statutory instruments and secondary legislation came into place over the course of last year. Key changes to the Scottish planning system have included the introduction of a three tier system of development plans and planning applications, front loading of the application process and new time limits for the determination of applications.

One of the biggest challenges going forward is 'cultural change' to build up trust between the private and public sectors to negate pre-determined attitudes and to ensure the new planning system can produce the desired results. Edinburgh Chamber of Commerce welcomes the creation of its planning accord with the City of Edinburgh Council which models how all parties may co-operate to make this change vision a reality.

The English planning system has been subject to persistent change and alteration, with further reviews promised after the general election. The implementation of a new and

stable planning regime in Scotland may be seen as advantageous to some investors and occupiers.

The Scottish planning system could assist in attracting business if it operated effectively, had up to date development plans and had clearly stated guidance on developer contributions that was transparent. The crucial factors which will influence inward investors for the better are clarity and speed of decision making.

With tightening public sector budgets, it will be necessary to explore new and innovative ways of leveraging investment into local development projects. Two examples of alternative funding sources include:

### **1. LABV – Local Asset Backed Vehicle**

- A LABV is a long term partnership or joint venture between a local authority (or one or more public sector bodies) and a private sector partner.
- The LABV brings together local authority land and/ or buildings, with private sector funds and skills sets (e.g. development and project management) into a commercial partnership through a joint venture vehicle or corporate entity.
- The value of the public sector assets is used by the LABV to raise funds to enable development and regeneration.
- Generally, the private sector partner is asked to equity match the value of the public sector assets placed into the partnership.
- The recessionary environment of the last 18 months has made this quite challenging given the limited availability of bank lending.

### **2. TIF – Tax Increment Funding**

- TIF has been used extensively in the US to assist with funding regeneration projects and is now finding its way into the UK. The Scottish Government has approved City of Edinburgh Council's first steps in this direction over the proposed Leith Harbour development. TIF has proved popular because it can attract investment to sites that may otherwise struggle to do so. It is a mechanism for using borrowing against the forecast increases in tax revenues to finance the improvements. In simple terms "it enables a local authority to trade anticipated future tax income for a present benefit", Typically, those that invest in the municipal debt that is TIF funded are incentivised to do so by a tax exemption on the interest that they receive.
- TIF works on the principle that the provision of new / improved infrastructure will lead to both new development and an increase in the value of surrounding property, both of which will generate additional property taxation revenues. The debt finance issued to pay for the project by utilising increased property tax revenues can be over a 20-25 year period, but may also be over a much shorter timeframe.

Edinburgh Chamber of Commerce welcomes central funding to launch Business Improvement District (BID) schemes, in particular the Essential Edinburgh programme for George Street/ St James Centre/ Princes Street. It believes other schemes could be beneficial to the City and would react positively to seed funding. Key to these projects'

success will be the state of the public realm. ECC believes this should have much higher priority in plans for the City.

#### **Key Recommendations:**

- **Scotland needs a coherent planning system that balances the enhancement of our landscape with the encouragement of investment.**
- **Local authorities must engage with clarity when dealing with both developers and other interested parties, providing full information and a precise timetable of events.**
- **Local Government must pursue alternative funding models such as LABV and TIF in order to leverage investment against a background of public spending cuts.**
- **Planning reforms in Scotland will only achieve the desired results if accompanied by a change in culture across the public sector. City of Edinburgh Council and Edinburgh Chamber of Commerce are both committed to moving in this direction.**

#### **Connected Scotland**

##### **TRANSPORT**

**A modern, efficient transport system is vital for Scotland's future economic success. Government must work with the private sector to develop a national and international infrastructure which meets business needs now and into the future. Whether by road, rail, air or sea – within our borders and overseas – Scottish businesses across all sectors will reach their full potential only if supported by a reliable 21<sup>st</sup> century transport network fit for purpose.**

Long term, strategic planning – often lacking in the past – is the only route to success. Governments need to look ahead to the next 20 or 30 years.

All levels of government – Westminster, Holyrood and local authorities - must work closely with organisations such as Transport Scotland, the Regional Transport Partnerships, Network Rail and airport operators if they are to stand any chance of meeting the transport needs of businesses and communities across Scotland.

Public transport infrastructure projects provide a shot in the arm for the economy and play a crucial role in revitalising business prospects. However, we appreciate that funding is going to be tight in the period ahead. That is why a range of alternative funding sources must be fully considered, including leveraging private investment and the use of innovative funding solutions such as Network Rail's powers to borrow against its assets to help fund the Edinburgh-Glasgow Improvements Programme. The Scottish Government should also be able to borrow for capital projects.

## **Key Recommendations:**

**Nationally Edinburgh Chamber of Commerce recognises the validity of the Scottish Chambers priorities for the next government, including:**

### **Road**

- **The construction of a new Forth Road Bridge.**
- **The upgrading of the M8, Scotland's busiest motorway, to reverse years of underfunding, including improved links to Edinburgh and Glasgow Airports**
- **The increase in the HGV speed limit on single carriageway roads from 40mph to 50mph, easing congestion and improving fuel efficiency.**
- **The allocation of dedicated high priority vehicle lanes which would reduce congestion and encourage greater use of public transport options.**

### **Rail**

- **The completion of current major rail improvement projects, as set out in the Strategic Transport Projects Review.**
- **We demand that Scotland be included as an integral part of current plans to expand the UK HSR network**
- **Investment must continue in the existing network meantime, complementing eventual HSR. This would also reduce journey times between Scotland and cities in the North and Midlands of England years before new high-speed tracks can be built.**
- **Franchising arrangements for long-distance passenger trains should be structured to facilitate and encourage investment by the private sector to reduce financial demands on the public purse.**

### **Air**

- **First and foremost we must appreciate the critical importance of Edinburgh Airport in defining the success of the City's (and the nation's) economy.**
- **We support the consideration of a new Air Route Development Fund, as has already been established under EU rules in Cyprus.**
- **Air Passenger Duty increases damage our competitiveness relative to other European countries which have reduced or abolished such taxes to help their aviation industries through the recession and recovery period. We call on the UK Government to do likewise in the interests of business and communities throughout Scotland. The Stern report demonstrates that the aviation industry accounts for only 2% of carbon emissions. Taxation of the industry must be proportionate.**
- **Heathrow Airport is the UK's main hub airport as well as being a key gateway for travel to and from Scotland. The construction of a third runway is essential if it is to continue performing these functions in future.**
- **We must improve our airports' links with road and rail networks.**

## Sea

- **Sea travel, both passenger and freight, plays a vital part in the Scottish and UK economies. In 2006, Scottish ports handled 102 million tonnes of freight, some 17% of the UK total, and 10.5 million passenger movements. It is vital, therefore, that we improve links between our ports and the wider transport infrastructure. New routes to open up markets to Scandinavia and the Baltic states should be actively encouraged.**
- **In addition to the existing freight facilities grants, Government should create a new freight route development fund to complement a new air route development fund.**
- **The future use and development of ports must be facilitated through the planning system, recognising the role of ports in supporting the economy in general and the oil, gas and marine renewable energy industries in particular.**

**Within the City of Edinburgh itself ECC has identified the following twelve priorities:**

- 1. Replacement Forth Crossing**
- 2. High Speed Rail**
- 3. Edinburgh Tram Project – completion first phase and design and funding expansion**
- 4. Glasgow Edinburgh Rail Improvements**
- 5. Edinburgh Airport M8 link**
- 6. Waverley & Haymarket Improvements**
- 7. Leith Harbour Developments (cross Forth Ferry and Cruise liner terminal)**
- 8. Easing the burden for Freight transporters – night parking at Park & Rides, consolidation centres and use of electric vehicles**
- 9. Public realm improvements**
- 10. Better ways to work – reducing carbon footprint of commuting**

**Whilst recognising that the two key issues of 11) funding infrastructure developments and 12) developing a national plan for transport priorities which is deliverable, remain unresolved.**

## **BROADBAND AND ICT**

Doing business in Scotland in the 21<sup>st</sup> century increasingly requires access to fast and reliable digital communications technology. For many businesses, and indeed the Scottish public, online access has become an essential service alongside electricity, gas or the telephone.

The web presents a tremendous opportunity for businesses across all sectors. However, there are a number of challenges which must be met if business is to take full advantage of technological advances and reap the economic benefits.

It is essential that all Scottish businesses have access to high speed data transfer services, both through broadband telecommunication services and high speed mobile

telecommunication systems such as 3G and its successor technologies. At present we have concerns regarding the coverage of each of these services in Scotland. Vast areas of Scotland, including many densely populated areas, are lacking any 3G coverage and many businesses are still unable to access broadband services nearly a decade after the Scottish Executive began its roll-out across Scotland. Such broadband services as are available fall well behind international competitors on the global level.

A recent study by Cisco has placed the UK in 25<sup>th</sup> place out of 66 nations in terms of the quality and reach of its broadband services. We require additional investment in order to meet the needs of the future. The average broadband connection speed in the UK is currently 4.1Mbps, but a speed of at least 11.25Mbps will be required to handle our anticipated future needs. Competitor nations such as Norway, Sweden and the Netherlands already have a head start on us in terms of the quality of their broadband. As they strive to reach 20Mb nationally whilst we are debating whether we can achieve 2Mb. In S Korea they are installing 1Gb. This is a race where we cannot afford to be left behind. At the core of its delivery is a government commitment to install a nationwide fibre-optic cable network.

The plans for NGA (next generation access) are developing, but lack ambition.

We must look to secure the best possible competitive advantage for Scottish businesses. Our digital communications infrastructure will be as important as our transport links and fiscal regime when it comes to attracting new businesses to Scotland, and providing local businesses with an advantage over their international rivals. There are many challenges in achieving this but competitor nations are finding these solutions, even in the face of difficult topography. We must rise to this challenge and put Scottish business ahead of the game.

## **ICT**

Scotland has been a significant hardware manufacturer in the birth of the computer revolution, and has some notable achievements in software development. As developing nations have undercut our cost base, many aspects of the industry (such as chip manufacturing) have been severely depleted. However, there are other areas where our businesses are strong, especially where we are developing new areas of expertise with high added value.

Our games development industry has significant concentration in areas where it is a much needed expanding employer, especially Dundee. This sector is now larger in value worldwide than the combined market for music CDs and film DVDs. Edinburgh's involvement as a centre for animation production shows overlapping potential.

We call on the UK government to provide the same tax breaks for R&D already enjoyed by Canadian and French developers, the latter proving the acceptability of the proposal under EU law.

The industry has also had various spinout innovations, such as advanced medical imaging. The growth of high-tech solutions within the life sciences is allied to a high level skills base and entrepreneurial endeavour. We need focused investment in scientific education in our tertiary education sector. We also recommend government

encouragement and support for 'marriage bureaux' of private finance and university spin out businesses as critical to the business birth-rate strategy.

We commend the development of innovation clusters, such as those in Dundee, Hillington in Renfrewshire and the Midlothian Science Parks. Edinburgh's four universities and the Little France medical park offer great potential for further 'cluster' approaches. Government must strive to keep and build upon significant businesses in the sector and serve a central role in encouraging innovative product design. In particular, the development of product with high export potential should be encouraged. There must be continuing support for export initiatives as detailed elsewhere in this document.

#### **Key Recommendations:**

- **The Government must set a target of a minimum download speed of 11.25Mbps for UK broadband by 2020, accompanied by significantly improved upload speeds.**
- **We support the proposed 50p land line levy to fund the expansion of the UK's broadband infrastructure, but this may have to be revisited in order to ensure that Britain is internationally competitive. It's loss from the legislative timetable prior to the General Election is regretted.**
- **The roll-out of fibre optic cabling in the UK should accelerate.**
- **The UK must match or better tax breaks on the games development industry available in competitor nations.**

#### **INTERNATIONAL TRADE**

Scottish exports account for approximately £35 billion p.a. substantially contributing to the country's economic health. Combining this with the understanding that many other parts of the global economy are not in recession, it is clear recovery should be export led. To facilitate this, government needs to invest in communication and infrastructure to grow and support international activities, improving our balance of trade and overall GDP. The capture of government and European Funding for the Scottish Chambers International initiative is a welcome sign that we are in accord with the Scottish Government on this matter.

Scotland needs to heavily invest in improving our economic competitiveness. At present, we are operating well below our potential. This means investing in skills, transport and ICT links to develop Scotland's international agenda. For instance funding for the development of additional air routes; road, rail and port infrastructures to facilitate efficient distribution are absolutely essential. Providing incentives for skilled migration is also imperative along with instilling an international mindset into business graduates.

At present there is difficulty in accessing trade credit to pay for or receive goods. It is also difficult to access credit insurance due to fiscal pressures. Government needs to make funding available to all sizes of Scottish business to facilitate international growth.

The costs of initial market-entry should also be off-set and encourage international engagement. ECC argues that UK and Scottish Governments should provide tax incentives – particularly for market research – and that the corporation tax levied on SMEs exporting over 40% of their turnover should be lowered from the current rate of 21%.

Policy on exporting support needs to be better integrated between the various trade support organisations and the Scottish government. There needs to be better programmes that provide financial and business skills support. Additionally, the Export Credit guarantee system requires a review as it is seen to stifle risk-taking in new start-ups.

There is also the perception that UKTI, Westminster and Holyrood present a confusing and contradictory image to new exporters. We need a clearly defined, integrated and constructive support network between government and Chambers of Commerce, with a unified vision of Scottish and UK international trade. Government budget allocations to such agencies should reflect the urgency for developing international activities given the current climate.

### **Business support**

Government needs to improve access to international support programmes to the wider business community, including new, small scale exporters. Initiatives such as Intelligent Exporter should be considered an example of best practice and replicated to effectively reach the parts of Scottish business that other programmes have not. Edinburgh Chamber of Commerce's lead role in this process will continue. Chamber of Commerce networks and Business Gateway initiatives can also be leveraged to provide increased international business support.

Whilst SDI provides an array of services that deal with combating the main barriers to entry, Public Private Partnerships can also contribute to providing business support. ECC believes Chambers of Commerce play a key role in the introduction to potential customers, international marketing advice, and access to market research.

### **Exploiting new market opportunities**

Historically, Scotland has had strong international trade links with the USA and Europe, accounting for 41 percent of trade. However, efforts should be made to encourage businesses to diversify trade links to limit over-dependence on mature markets. Specific business support and advice should be provided to pursue emerging markets such as Brazil, Russia, India and China (the BRIC nations)

The business services sector currently accounts for approximately £2.3 billion and is amongst Scotland's top five exports. Therefore, a push for increased exporting of services would be valuable in diversifying the Scottish economy.

## **Key Recommendations:**

- **There is difficulty in accessing trade credit and credit insurance to pay for or receive goods. Government needs to make funding available to all sizes of Scottish business to facilitate international growth. We welcome the Scottish Government's involvement with Scottish Chambers International in advancing this cause.**
- **UK and Scottish Governments should provide tax incentives – particularly for market research – and that the corporation tax levied on SMEs exporting over 40% of their turnover should be lowered from the current rate of 21%.**
- **Policy on exporting support needs to be better integrated between the various trade support organisations and the Scottish government. There need to be better programmes that provide financial and business skills support.**
- **Specific business support and advice should be provided to pursue emerging markets such as Brazil, Russia, India and China.**
- **A push for increased exporting of services would be valuable to the Scottish economy and diversify away from manufactured based products.**

## **Playing to Scotland's Strengths**

### **OIL AND GAS**

The oil and gas industry is Scotland's largest export sector. The industry contributes £40 billion to the UK balance of payments, provides over 450,000 jobs and accounts for over 30% of the investment made by the UK's production and manufacturing industries. However, activity in the UK Continental Shelf (UKCS) has slowed and business confidence is fragile. If investment into the UK North Sea is not sustained, up to 15 billion barrels of reserves could be left in the ground, negatively impacting both the UK balance of payments and energy supply. It is critical that government encourages investment in Scotland's oil and gas industry to retain its position as European oil capital.

Decommissioning of infrastructure is an area for major economic opportunity. The Royal Bank of Scotland puts the figure to deal with around 450 offshore structures by 2030, at between £15bn and £20bn. ECC argues that the UK and Scottish Governments should be open to a range of environmentally sustainable options put forward by Scottish industry. This would allow Scotland a competitive advantage over competing decommissioning initiatives.

## **Key recommendations:**

- **Businesses operating in the North Sea oil and gas industry are among the most highly taxed in the country. With the industry now in a mature phase, the tax burden must be reduced. Scotland's overall economy needs the sustained inputs from the North Sea.**
- **Edinburgh's own oil & gas exploration companies tend to be focussed in overseas markets and face different challenges. Current exploration in Greenland may well be of more direct benefit to Scotland's future energy security than the significant finds in (for example) the Indian sub-Continent.**
- **In the home market Government should encourage the development of new smaller fields and continued production of mature depleted fields. ECC believes investment to drill such fields needs to be encouraged through relevant tax incentives.**
- **Decommissioning of infrastructure is also an area for major economic opportunity. ECC argues that the UK and Scottish Governments should be open to a range of environmentally sustainable options put forward by Scottish industry.**
- **UK and Scottish Governments needs to recognise the importance of anchoring the oil and gas industry supply chain to Scotland given that oil and gas resources are depleting and the tendency will be for businesses – local and foreign – to migrate to other regions. This should be encouraged by fiscal policy.**
- **Investment in developing technical staff and graduate engineers is considered critical for the future prospects of the oil and gas industry in Scotland. ECC suggest suitable partnerships be developed between public and private enterprise to ensure appropriate supply of skills for the industry for now and the future.**

## **SCOTCH WHISKY INDUSTRY**

The Scotch Whisky industry is Scotland's second largest exporter accounting for over £3 billion in exports annually. This represents 22% of Scotland's total exports and 25 percent of all UK food and drink exports. As such, the industry is of crucial importance to the UK and Scottish economies, to its supply chains and to local producer communities across Scotland. It also contributes massively to Scotland's tourism offering. It is therefore essential government creates a business environment in which the industry can thrive.

The industry continues to suffer from barriers to trade in its international markets, especially from India, the world's largest spirits market. Elimination of India's 150%

import tariff on Scotch Whisky would result in a five-fold increase in exports, valued at over £150m. Meeting such demand would also mean encouraging foreign investment into Scotland. This should be pursued through the EU with the strong support of the UK and Scottish governments.

The importance of discussing the World Health Organisation's (WHO) alcohol strategy at the WHO Executive Board is necessary. The WHO's alcohol strategy should not interfere with international trade obligations and treaties, nor ban duty-free purchases which is a legitimate cross-border trade. It is argued that such a ban on duty-free distribution would not reduce alcohol misuse and be against the UK's national interest.

### **Key recommendations**

- **The UK and Scottish Governments should not unfairly tax its most important alcoholic beverage sector and move towards taxing all alcohol content at the same level.**
- **We need to see the approval of 'Scotch Whisky' as a recognised Geographical Indication (GI) and introduce a definition of 'Scotch Whisky' in order to protect the integrity of the product.**
- **Fair market access needs to be gained from India, the world's largest spirits market. At present, the market imposes discriminatory duties and levies at the State level that obstruct Scotch Whisky's penetration of the market.**
- **The WHO's alcohol strategy should not interfere with international trade obligations and treaties, nor ban duty-free purchases which is a legitimate cross-border trade.**

### **TOURISM**

In Scotland, tourism was the outstanding successful sector of 2009, bucking the trend in the height of recession. Edinburgh has led from the front. However, many new regulations have been implemented in recent years which have had a significant impact on the tourism and hospitality sector.

Since the amalgamation of the Area Tourist Boards with VisitScotland in 2004, there have been worries over the loss of a local tourism focus. This concern has been shared both by rural areas and cities and the spread of destination companies across Scotland could be seen as a reflection of the need to maintain a local focus. At present, the funding for these new destination companies is coming from the local authorities, European Funding, the VisitScotland Growth Fund and some funding from the private sector. There is a question how sustainable these are in the long run. In addition it means less resources for VisitScotland as the local authorities tend then to cut back their funding to VisitScotland. VisitScotland.com has now been integrated within Visit Scotland at considerable cost to the public purse

The Chamber of Commerce was a prime mover in established the DEMA project (Destination Edinburgh Marketing Alliance) which it believes gives the Capital City a clear chance of marketing itself alongside other great international destinations.

The Tourism Industry in Scotland has always struggled with staffing issues and in the past few years, with changes to European legislation, the solution in many places has been to employ staff from Eastern Europe, Australia and New Zealand. These staff work extremely hard and are an invaluable resource. However, the tourism industry in Scotland still needs to recruit Scots into the industry with a pride and passion to work promoting their country.

#### **Key recommendations:**

- **We recommend that a full review of regulations and their impact on the Scottish tourism industry is carried out by the Scottish Parliament's Economy, Energy and Tourism Committee, supported by the Westminster Scottish Affairs Committee.**
- **ECC would urge VisitScotland to take on board the views of the industry when looking at new developments for visitscotland.com. In the current web-enabled world, the consumer, not just the tourism industry, would expect a national tourism website to also have the capacity to take direct bookings as well as selling the country.**
- **The roles of Visit Scotland and Scottish Enterprise in tourism policy should be examined and responsibility for tourism should remain entirely with Visit Scotland in order to avoid confusion.**
- **ECC believes that closer working between academia and the tourism industry could result in it being seen as a career profession and that it is given a far higher profile such as is seen in countries like Italy and Spain.**

#### **FINANCIAL SERVICES**

Financial Services are vital to Scotland's economy, despite the sector's central role in the recent recession. Not just as our fastest growing and most vibrant industry in the years leading into the recession, but as a continuing force to be reckoned with, employing 90,000 people. There is also a vital need for its services to facilitate business investment and enjoy domestic financial security.

A leader in global terms as a financial centre, Scotland is particularly recognised for its strengths in banking, life assurance and pensions, investment management, and asset servicing.

The extent to which Royal Bank of Scotland and Lloyds Banking Group have been driven into public ownership remains a major cause for concern. Both because we wish to see a return to commercial success for the companies themselves, but also because

the Banks' ability to recover ownership of their assets into the private sector is vital to reducing the National Debt and the burden on the public purse.

It is clear that the recovery of the markets is crucial to the buoyancy of all funds. Therefore government policies must balance the need for reduction of public debt with the gradual encouragement of recovery avoiding precipitate clampdowns which would stifle the economy at the very time it needs a shot in the arm.

It is necessary to provide an attractive environment for inward investment. It is clear that the Westminster government must find a future working arrangement with the Scottish Government where there is clear understanding and agreement about capital budgets which fairly reflect Scotland's contribution to the UK tax take, and also seek to redress the imbalance in economic success between the South East of England and the wider regions of the UK through appropriate investment.

With the arrival of companies like Esure in Glasgow and Tesco Personal Finance in Edinburgh it is clear recovery is underway. Supporting this sector has been a massive investment for the whole nation. We look to government to create the climate of confidence that is needed for the private sector to drive the recovery forward.

#### **Key Recommendations:**

- **We call upon government to strike an appropriate balance in the governance of the banking sector, ensuring that the urging of caution over lending policies does not strangle the need for finance for growing companies upon whom the recovery will be dependent. We accept that the banks themselves need to manage their portfolios with probity, but the elimination of risk is not possible if we are to have a functional economy – for risk lies at the heart of enterprise.**
- **The regulation of banks must pay due attention to the needs of smaller companies, and we commend and call for the extension of schemes such as Prompt Payments to speed up transmission of funds between banks, and for due powers for smaller businesses to protect themselves from late payment.**
- **We call upon government to find new ways of supporting infrastructure development and to maximise the involvement of the private sector as partners in the process. With nearly £700bn of funds under asset management and an even greater sum within the pensions and insurance sector in Scotland there is no shortage of cash available for major investments.**

#### **SUNRISE INDUSTRIES**

Scotland has much to be proud of in its industrial and commercial past. But times move on and a successful economy is one which readapts itself constantly to changing environments, be they seen from the viewpoint of resource base, or financial, social or competitive imperatives.

One myth we have sought to dispel is that manufacturing is dead. Older industries have given way to new expertise. Be it pumps that power the oil and water supplies of the world or the generators that lit the Beijing Olympics, there are always new opportunities.

It's the job of business to research and develop new products and services. It's the job of government to use regulation and catalytic inputs to ensure the environment is fertile to grow these new ideas successfully.

**Life Sciences** present one of the greatest opportunities. From Scotland's world lead in cloning we can see great potential for stem cell research to provide totally new solutions for previously incurable conditions. Bio engineering with artificial limb replacements, new surgical appliances and the expanding field of optics are all fruitful seedbeds.

The **Games Industry** stands out in the world of software development. But we are also world leaders in technologies as diverse as **animation** (for work and play) and **advanced avionics**, including radar systems.

**Renewable Energy** is hugely significant. The challenge of recognising that our energy resources are limited creates great opportunities for Scotland. With the greatest share of available renewable sources of any European country –10% of the continent's available wave power and 25% of offshore wind and tidal resource – and with our engineering skills base, we have an unrivalled opportunity to establish ourselves as world leader in the renewable energy field. We are also on the brink of pioneering carbon capture technology.

We applaud the development of the public private partnership and collaboration that have formed to exploit the opportunity to build a low carbon economy. Scotland can demonstrate the value of the networks that enable national-scale initiatives to succeed – not because of legislation, or £billions of public funding, but because of new, emerging levels of leadership and coordination between public and private sectors.

- The National Renewables Infrastructure Plan.
- The Scottish European Green Energy Centre.
- The 20:2020 Group.
- The Low Carbon Investment Project.

These are examples of an approach that can deliver a coordinated prospectus for investment, and that are already leveraging £millions of fresh funding into new projects.

Edinburgh Chamber is organising on behalf of The Scottish Government The International Conference - National Innovation in Financing a Low Carbon World - in the autumn that will mark a key milestone in the Low Carbon Investment Project.

- The Conference will bring together developers, utilities and governments from around the world together with international investors.
- The focus will be on communicating outcomes of the Low Carbon Investment Project, the development of funding solutions for major infrastructure works, risk and return issues, unlocking finance for clusters of smaller scale propositions, and targeting limited public sector spend in the most effective and efficient manner.

- The Conference will input into the funding aspects identified in the European Commission's SET Plan as well as to the 2050 Vision for Energy.

**Key recommendations:**

- **The funding of lifelong education and training opportunities which can ensure the smooth transition of displaced employees into new skill sets**
- **The encouragement of schools and their students to select training and careers which are targeted at key opportunities for economic growth**
- **Tax breaks for innovation investment**
- **Smoothing the planning process to enable centres of excellence to develop rapidly**
- **Innovative means of funding infrastructure investment**
- **Genuine reduction of red tape and an end to over-regulation**
- **The continued integration and prioritisation of export support**