



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Economy and Fair Work Committee

Wednesday 26 February 2025

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

7th Meeting 2025, Session 6

CONVENER

*Colin Smyth (South Scotland) (Lab)

DEPUTY CONVENER

*Michelle Thomson (Falkirk East) (SNP)

COMMITTEE MEMBERS

- *Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
- *Murdo Fraser (Mid Scotland and Fife) (Con)
- *Jamie Halcro Johnston (Highlands and Islands) (Con)
- *Daniel Johnson (Edinburgh Southern) (Lab)
- *Gordon MacDonald (Edinburgh Pentlands) (SNP)
- *Lorna Slater (Lothian) (Green)
- *Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Nathalie Agnew (Muckle Media Ltd)
- Claire Mack (Scottish Renewables)
- Luke McGarty (Scottish Grocers Federation)
- Karen Meechan (ScotlandIS)
- Paul Mitchell (Scottish Building Federation)
- Tony Rodgers (Ementelle UK Ltd)
- Leon Thompson (UKHospitality Scotland)
- Jane Wood (Homes for Scotland)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 26 February 2025

[The Convener opened the meeting at 09:31]

Decision on Taking Business in Private

The Convener (Colin Smyth): Good morning, and welcome to the seventh meeting in 2025 of the Economy and Fair Work Committee.

Agenda item 1 is a decision on whether to take item 4 in private. Are we agreed to take item 4 in private?

Members *indicated agreement.*

New Deal for Business

09:31

The Convener: Our next item of business is the second of three evidence sessions on the Scottish Government's new deal for business. Today, we will hear from two panels of witnesses. I welcome the witnesses for our first panel, who are Nathalie Agnew, managing director of Muckle Media Ltd; Claire Mack, chief executive of Scottish Renewables; Tony Rodgers, chief executive of Emtelle UK Ltd; and Jane Wood, chief executive of Homes for Scotland.

As always, I appeal to members to keep your questions short—I am sure that that will fail, but let us hope that we try our best—and also to witnesses to keep answers as concise as possible. I am conscious that we are keen to hear from lots of people as part of this work. We have two panels today, so there is quite a lot to get through.

That brings us to the first question. I will break the rule by asking a question to every panel member, although it is not too long. Could you give us a brief flavour of your interaction with the Scottish Government? Specifically, has that changed in any way in the past two years?

Tony Rodgers (Emtelle UK Limited): I am the group chief executive of the Emtelle group, which is a Scotland-headquartered manufacturing company that leads the world in fibre and broadband roll-out, with operations in the United Kingdom, Denmark, Germany, Abu Dhabi and North America. I have no interaction with the Scottish Government whatsoever. I had never heard of this new deal and had no idea about it. Quite frankly, when I have approached the Scottish Government, it has been very difficult, as a businessperson in Scotland, to make any sort of contact or inroads, or to make any kind of representation of a case.

The Convener: Can you tell us about what the approach has been in the past?

Tony Rodgers: I will not name and shame people, but I have tried to do it through various cabinet ministers. I have tried to speak to them to let them know about the concerns of a Scotland-headquartered business and what we hoped that the Scottish Government would be happy to do with us or for us in partnership. It is not about a take relationship; it is about a partnership relationship. As a businessperson leading a global group, I believe that having that partnership is what gets you the best results. I am interested to see that one of the key things here is about partnering with business. If, as a Government and

as a committee leading that, you truly want to do that, I am all ears—that is why I came today.

The Convener: That is very helpful. I stress that we are a committee and we are not the Government but—

Tony Rodgers: Sorry. You are not the Government—you are correct. I apologise.

The Convener: Yes, absolutely.

Jane Wood (Homes for Scotland): I represent an industry that is very heavily regulated, so we have many touch points across Government. We have a lot of interaction with Government, and that is out of necessity, because we cannot deliver the product without interaction with the regulatory and policy environments. In my leadership position, I am engaged with Scotland's national strategy for economic transformation, so I have always been very engaged with the Government and committees. I have always seen that as a necessary relationship in the most positive way, and it is outcomes driven. Do we engage with business? Yes, we do. Do we engage with the Government a lot? Yes, we do.

I do not know whether you are asking about how that looks but, yes, we engage significantly.

The Convener: We have lots of questions about how it works in practice. Do your members primarily engage with the Government through you? Are you aware of much interaction between the Government and your members?

Jane Wood: Primarily, they will engage through us. As you will understand, house building is a very complex development model and many house builders do not have the resource to do the extensive work of lobbying or communications with the Government. They focus on the more technical side of the regulatory environment, where they have the resource, but they rely very much on us. They rely on the importance of a collective voice and data. We are there as a facilitator of all the data that is required to create the evidence for good policy making.

Many of the larger public limited companies and some of the smaller companies engage directly with a lot of politicians by getting them out for site visits. One of the never-ending challenges is educating policy makers, influencers and opinion makers on how houses are built and the complexities of that model. There is probably more operational engagement at the house builder level, and some at senior level, but engagement is primarily led by us as the representative body.

Nathalie Agnew (Muckle Media Ltd): I am the managing director at Muckle Media. We are a communications agency with purpose at our heart, and we are the first agency to become a B corp in Scotland. To the side of that, I am quite engaged

and well networked, and I sit on a number of organisations. I chair the Institute of Directors in Edinburgh, I co-chair B Local Scotland, which is the network of B Corps, and I am also a Women's Enterprise Scotland ambassador. On your question about engagement with Government, I am involved in the cross-party group on women in enterprise, which is chaired by the deputy convener—I think that we are meeting this evening, on Zoom.

I was invited to join the new deal for business group as a member. Julie Ashworth represents the Institute of Directors on the group, and I was invited to give my perspective as an owner of a small business. In the early days of the new deal for business, there were a lot of other businesses round the table, but they have petered away over time. There are several challenges. My first perspective was that the new deal for business group became a group of business support and industry organisations rather than direct businesses. I was probably the only genuine business representative in the room. I can perhaps talk later from a business perspective about some of the challenges around engagement with small businesses.

The Convener: Before I bring in Claire Mack, I will bring in the deputy convener with a supplementary question.

Michelle Thomson (Falkirk East) (SNP): Could we hear from Claire Mack first? Then my supplementary will be for everybody.

Claire Mack (Scottish Renewables): Similarly to Jane Wood, I am chief executive of the trade association Scottish Renewables. We represent and provide a voice for the Scottish renewable energy industry. That collective voice is a very important role of the trade association and provides a useful way for the Government to hear a broad set of views—it is generally a consensus view—from industries.

We engage regularly with the Government at all levels, whether that is with cabinet secretaries or ministers or directly with the civil service through the likes of consultation exercises. We sit on a number of expert groups, such as SOWEC, which is the Scottish Offshore Wind Energy Council, and SEAB, which is the Scottish energy advisory board. We also have strong representation from the Scottish Government at our conferences, where we bring large groups of members together to understand some of the key issues for the sector. Those probably are a useful place for us to engage with Government. It is useful to have people in the room throughout those events, because that is where you get a genuine spread of industry views and can engage.

In the past two years, there probably has been a relatively significant change, not just in the Scottish Government but at United Kingdom Government level, and in the interaction between the UK and Scottish Governments. Energy has become a critical focus as part of economic strategy, and we feel that a step change has happened. The change that I have observed has been in the ability to engage at different points on different issues and engage collectively with both Governments on critical issues that are about smoothing the deployment of renewable energy.

The Convener: Would it be fair to say that your members' interaction with the Government relies on you, or is there interaction with individual members?

Claire Mack: The interaction is absolutely not only through us. A number of our members are big businesses that are headquartered in Scotland with a number of significant elements in employment and skills delivery, which means that they tend to engage on their own merits. Certainly, some of the larger members do that at different points.

The Convener: Do you mean the larger multinationals?

Claire Mack: Yes—generally.

The Convener: I will bring in Michelle Thomson.

Michelle Thomson: The convener makes a fair point in observing that three of you on the panel are actively engaging with the Scottish Government through your various roles. Where that is the case for the three of you, to what extent do you think that the Government gets business? By that, I mean the operating environment, the risks that you have to deal with, the necessity for cash flow and focusing on margins and so on. Some brief words on that would be useful.

Jane Wood: Gosh—that is a difficult one. It is a very complex model. The short answer is that we think that there is limited in-depth understanding of the development model of house building. I am referring to all tenures. When I say that, I talk about understanding things such as land supply, the impact of regulation on the sector, the unintended consequences, the impact of the cost of consultation and the resource that is taken up by the plethora of consultations, the use of data and the correct data to create the right evidence.

From the outset, we very much welcomed the new deal for business. We engaged with one of the sub-groups and on the design of the toolkit for business and regulatory impact assessment. We see the culture that the Government wants. The Government sees that business has to be part of the solution and we agree with that. We welcomed the new deal for business. I was particularly

optimistic about it for our industry. I felt that if, it was implemented through the toolkit and was about compliance in how policy is developed, and if we considered the exam question that we were trying to answer and the commercial consequences, that could be transformational for our sector. That is because many policies come through and, although there are consultation processes, we do not always feel that the commercial impacts are listened to. A lot of that goes back to understanding. That is really difficult.

We feel that there needs to be a cultural change in the approach towards our industry sector. We need an understanding of how it is made up and of small and medium-sized enterprises, as well as of the stress points and the realities of the planning system in Scotland. I would ask the question back to the committee: has a reputational audit been done by Government on its sentiment towards the sector? I do not know the answer, but that is important for us and for Government to understand.

Claire Mack: I will build on what Jane Wood said about the general understanding. My comments are not confined to Scotland or our relationship with the Scottish Government—I would probably say the same about the UK Treasury.

09:45

I can speak only about my sector, but we have a very specific financial structure. I have mentioned a number of big businesses that are brand names that people may well know. Our sector is privately funded, which is where we would hope to see more interaction and engagement to drive understanding of exactly what the pressures are. Everybody is well aware of the issues that we have had with sluggish growth and inflation, and those impact my sector particularly acutely because of the way that it is funded. There are perhaps times when, in engaging with Governments, we find a lack of understanding about the difference between a regulated utility, an equity-funded project model and the other financial structures that we often have to deal with to get projects away.

For example, we have a lot of conversations with Government on building the supply chain. We feel that we have had to go on a very lengthy journey on the understanding of why ahead-of-time investment in things such as supply chain and skills is incredibly difficult when dealing with an industry that is financially structured in the way that ours is. It is very heavily debt financed, and the cost of capital is absolutely crucial.

We have seen consideration of some policy measures in Scotland that are entirely unhelpful in

that space when we are trying to control the cost of capital against global headwinds. For example, at the moment, we are talking about zonal pricing, and the industry has been clear that that will have a negative impact on the cost of capital, which will jeopardise projects in the pipeline. That will mean that the conversations about supply chain and jobs are pointless, because you will not have projects to hang them off.

Michelle Thomson: That is very helpful. I probably should have added risk appetite to my list, and zonal pricing is very topical.

Nathalie Agnew: Over the past two years, the Government's understanding of business has improved. The new deal for business has provided an interesting lens to put it front and centre. I have seen in policy papers the question, "What is the implication for the new deal for business group?" I hope that that means that, across Government, the unintended consequences of things that do not sit in economy but actually have a huge economic impact are being considered. As has been raised by Jane Wood, housing is a key issue, and childcare is another issue when it comes to workforce supply and people running businesses who need childcare. The potential disconnect lies in the communication of that understanding.

The new deal for business has offered a much greater and stronger relationship with business support and industry organisations, but I do not think that it has stretched out further to reach the businesses themselves, and particularly those that are harder to reach. I would flip the question. Instead of asking, "Does Government get business?"—I think that it does, to an extent—part of our challenge might be about business not getting Government. Government plays a role in education on that. A number of intelligent people who I speak to do not understand the difference between what is reserved, what is devolved and what is for local authorities. That is a challenge when businesses are potentially venting frustration with the Scottish Government about parking regulations, immigration policy or other things that are potentially misunderstood.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning. My question follows on very neatly from what Nathalie Agnew just said. The new deal for business was established by the Government because of a sense that it was disconnected from the business community, but it follows on from a range of different talking shops and forums and resets that we have had over the years.

I am interested in your perception. To what extent is the new deal for business qualitatively different from what has gone before? Specifically, can you point to any tangible outcomes from the new deal for business that have made a difference

that otherwise would not have happened? Jane Wood, do you want to start?

Jane Wood: I am happy to answer that. Whenever such things are set up in Government, they are very resource intensive and a lot of work goes into them, but we in the public and private sectors must always ask ourselves the question, "To what end?". If the end is to ensure that policies are fit for purpose, that is great.

I can definitely speak on behalf of our sector. Remember that our sector is in a housing emergency at the moment—at a later point, I would like to come back to how the Government reacts to that.

I look at the UK Government and at the differences in leadership across Governments and around the world, and I feel that what is missing with things such as the new deal for business are targets and metrics and being mission led. We do not have outputs for an awful lot of such things. I sit on the housing to 2040 board, and Homes for Scotland sits on many Government cross-working committees, which, often, do not ask themselves what question it is that they are trying to answer, what point we need to get to, how that will impact the problem and what the timescale is. Our overriding sense is that nobody is measuring against the Government's priorities on child poverty, the economy and the climate emergency. There is a lack of targets and, without targets, you do not get buy-in from industry or media. Industry does not understand its role in engaging because it never sees the outputs. I hope that that makes sense. I could add an awful lot more, but I am aware of the time.

There is no cross-directorate working. Many of us who sit in infrastructure or housing sectors are under a specific directorate, and we need cross-cutting and cross-directorate working. As you will all be aware, housing has an impact on health, educational attainment, mental wellbeing and economic productivity. As much as the Government is focused on creating positive social outcomes, it will not do that without economic and productivity outcomes, and housing needs to be part of that. That is why I welcome the NSET work, which is really important.

We need targets and ambitions. Industry needs to feel and see those ambitions, which will create focus. Industry sets targets—I do not think that there is any industry body that does not have targets. They create the resource to deal with them, they create outputs and they create risks against them. However, we do not have that for the new deal for business or for the housing emergency.

Tony Rodgers: Jane Wood has made incredibly good points. I speak from the industry's

perspective, obviously. In a true partnership, if you set targets, we can work together to achieve them. However, if we do not have targets, we do not know where we are going.

Jane Wood represents housing and Claire Mack represents renewables. My business is in Scotland and worldwide. We have a product and a solution in every house that is built in Scotland. For every renewable project that is done in Scotland—or 90 per cent of them—my business protects and puts the telemetry in place for the power grid. We need certainty for Claire Mack and Jane Wood, but, in everything that I have seen—and I have done a lot of reading since I was invited to come to the committee—I do not see a single hard target. The purpose is nebulous.

The purpose is good; there is lots of good stuff in the new deal for business—I am not saying that there is nothing in there—but how do we measure it? When I was invited to the committee, I thought, “This is excellent” and that I would come and talk about people and be focused on gross domestic product. I thought it would be about increasing Scotland’s GDP, achieving growth and talking about the supply chain. The supply chain for manufacturing and housing is fantastic; the supply chain for renewables is huge; and the supply chain for manufacturing is great. I thought that we would talk about bringing true value to Scotland, and we could then say, “We have a target here; how are we going to achieve it? How are we going to set up the partnership piece and hit the targets?”

I echo Jane Wood’s frustration. I have come to this cold, but I have done a lot of reading on it. We need some targets. I know targets are scary because they have to be measured, but we are measured every day.

Murdo Fraser: My question was about—

Tony Rodgers: I am sorry for hijacking it, but Jane Wood set it up perfectly for me.

Murdo Fraser: That is fine. Claire Mack, do you want to add anything?

Claire Mack: Yes. I share a number of the same frustrations, if from a slightly different angle. When I look at the frameworks around NSET and other things, I think, “Great—there are finally some metrics involved”. However, there are so many. I look at that from a business perspective and think that the Government should behave in a businesslike fashion when it comes to that. I look across the metrics and think, “Gosh, I would struggle to monitor and measure all these things”. Ultimately, there is a point where you need to step back and say, “All those figures look great. They are green on my dashboard, but, overall, what is the sum of the parts here?”. I would struggle to do that.

That leads me to another point. You can measure and do whatever you want, but what if your starting point lacks focus? I think that that might be the case. We have some clear priorities—child poverty and clean power are in there—but what are we trying to do with this? It would be good to explain a bit more. Reducing child poverty is a great policy, but the Government needs to drive better understanding of why it is important. It might be obvious to the Government but might not be so obvious from a business perspective. You need to be a bit more specific about what you are driving at, which comes to Tony Rodgers’s point about targets.

We need to be genuinely hard on ourselves about policy impacts, how they are landing and whether policy intention is driving through to achieving impact. I suspect that, if we were really hard on ourselves on that point, we would struggle. The UK Government has done a great job with the mission-led approach. Jane Wood mentioned cross-departmental working, which is essential. If the choices made at Government level are to have energy and the alleviation of child poverty as part of the economy, you need a structure in place to make that work, which is not evident to me.

It is great to have policies and strategies, but there needs to be a reality check. What are the drivers of growth? What tools do you have to hand for the job? There have been times when the relationship between the Scottish and UK Governments was not good in this area and the gap between them pointed to this being impossible to achieve—although, as I have said, the relationship is improving. That things have improved changes that perception but, in the past, I would have reflected that that was not an unknown unknown, so we probably could have been a bit better at designing our interventions, knowing that we might hit a little bit of grit. That is a lesson for the future. There will always be different stakeholders and parties that need to come to the table, and anticipating where relationships might need a bit more work is really important to trigger the drivers for growth.

Murdo Fraser: Do you want to add something, Nathalie Agnew—perhaps briefly? You are all doing a great job but not really keeping to the convener’s rules about short answers.

Nathalie Agnew: It feels as though the door was closed to business, with the Government doing things to the business community, but that that has changed—we are now doing things together where we can.

In the current fiscal environment, hard decisions that will not always be popular have to be made. I will give you an example from the new deal for business group. We sat down with the Deputy

First Minister in the run-up to the programme for government to workshop themes and things that the business community would appreciate seeing in the programme. I do not have the specifics, but that discussion resulted in things either making it through into the programme for government or going into the budget. There was really good interaction, particularly with the Deputy First Minister in the run-up to those two events, with us moving towards a no-surprises environment.

Murdo Fraser: There is a lot more that I could pursue but I am conscious of time. Thank you—you have all expressed your views clearly.

Daniel Johnson (Edinburgh Southern) (Lab): I will attempt to put one specific question to each of you. We will see how we go. However, that is already breaking my promise to my colleagues that I would ask only two to three questions. I will put that down to my bad maths.

First, I will ask Jane Wood and Claire Mack about regulation. There is a regulatory review group. I know that neither of you sits on that group, but regulation is clearly often where the rubber hits the road with Government policy. Have you seen any impact, benefit or improvement from that effort? What more do you think could be done?

10:00

Jane Wood: In the broader regulatory environment, we have seen the Government in listening mode; it even pushed back on the infrastructure levy. We have engaged with the Cabinet Secretary for Social Justice, Shirley-Anne Somerville, through housing to 2040. She has asked the all-tenure sector to look at the regulatory timetable and to give feedback on which of those regulations could be pushed back a bit because they might have a negative commercial impact. We welcome that listening and input, but we do not know what the output will be, which goes back to my earlier point.

You are quite correct that we do not sit on the regulatory review group. I might have missed something, but I think that it last met in May 2024 and has not reconvened. A commitment to work with us on the impact of the road bond system, which is one of the case studies that we gave the group, has not progressed.

We have observed better engagement on some things, such as the business regulatory impact assessment toolkit. However, for such things to have an impact, they need to be implemented through a complex hierarchy of the Scottish Government, and we have yet to see that. That work is on-going.

Daniel Johnson: To summarise, there has been engagement, but you have yet to see the outcomes. Is that fair?

Jane Wood: Yes. We are still waiting for outcomes. We have engaged but, as Claire Mack said, there are policies sitting there. We would want to bring up the building levy, which will have a huge negative impact. Is it dealing with a problem that needs to be solved? Will it have a huge and unintended consequence on an industry that is already in emergency and struggling for land and when we have SMEs struggling with the regulatory environment?

I know that I must give short answers, but there is one more thing before I finish. We have done a little bit of work on the cost of the current regulatory environment. As regulations stand in this parliamentary year, they add circa £30,000 to the cost of a house, and that cannot be borne by customers. We have a shortage of housing and a shortage of land. All these indices are not working.

We need intervention. We need to look at whether we can create new legislation that is good for our industry sectors. If you wanted to change things through all these processes, you could do something simple. You could have a presumption in favour of sustainable development in the current local development plans. We have put solutions on the table. We are not sure that the interventionist approach through new legislative structures is being listened to in the context of where we are with an increase in homelessness and a lack of housing.

Kevin Stewart (Aberdeen Central) (SNP): I will play devil's advocate here, as a former Minister for Local Government, Housing and Planning. You quoted a cost of £30,000. It would be interesting to see a breakdown of that sum. Could you send that to the committee?

Jane Wood: We can do that.

Kevin Stewart: I will put a challenge to you. You talked about land supply, for example. What are you doing to encourage your industry to stop land banking and to get on with building in certain places?

Jane Wood: I will be clear with the committee. I refer you to the Competition and Markets Authority report that said that, according to its investigation, land banking is not the issue with housing supply.

We know that housing is not being delivered at pace, but it is at the top of the political agenda and the UK Government is focused on accelerating the delivery of housing. However, I hear your point, and we need to reflect on how we tell this story because getting across the correct story is very important if we are to find a solution.

The reason given for why housing is not being delivered at pace—we hear this narrative repeatedly—is that there is a problem with the availability of sufficient land. Our industry is agreed that there is a need to allocate more land, but there is a suggestion that the problem lies with the developers. Development is complex and there are many moving parts—you will know that, having been a housing minister. The fact that the blame for housing not being delivered at pace is put on the developers—which your question reflects—concerns me.

The Scottish Government used data showing that there are 164,000 houses with consent. However, we have analysed that figure with the Government—we did it together, because we were very concerned about what that was saying and the impact that it could have on how Government responds to this crisis—and have found that only one third of those houses within the 10-year local development plans are consented and could be built. We must be very clear about what the data is telling us before we make generalisations, and we are now looking at why the 84,000 houses with consent are not being built.

I can tell you now that, given the complexity of this industry, a lot of that will be about utilities, infrastructure, roads and so on. There are many different reasons. However, there is not a problem with land banking. I am not going to go into the detail here because it would take too long but I refer you to the CMA report. Land supply is a problem that is pushing up house prices. We need policy change to bring forward land supply in the existing local development plans while we work on establishing what the housing need is through the minimum all-tenure housing land requirement processes and the housing need and demand assessment processes—the MATHLRs and the HNDAs—for the next iteration. If we do not do that, we will fall off a cliff.

Kevin Stewart: I get some of the difficulties at certain points around utilities for instance. I have led the way to overcome some of those difficulties in certain parts of Scotland, including in Gretna in the convener's region, where it was said that housing could not go into various sites because of issues with Scottish Water. All those difficulties were overcome.

I get your point about some of the issues that are faced. However, I think that we also have to recognise that there are real issues that are brought about by the house building industry itself. Probably every one of us around this table could point to an area of land within our constituencies or regions that has had consent for a very long time and yet there has been no development and nobody has come forward to raise any of the issues that you have mentioned. It is not just about

a conversation with Government. If there are difficulties in particular areas with pushing forward building in certain areas, why is there not more contact with local members of the Scottish Parliament to see whether those issues can be overcome?

We have to be completely and utterly honest in our conversations. I recognise that the Government has a responsibility to do a huge number of things—I get that. You are talking about more targets. Some folks say that there are too many targets. However, the onus is not just on the Government; it has to be on industry as well in terms of bringing forward projects that, in many cases, have been consented and planned for a long time.

The Convener: I am conscious that we are straying into a debate on housing here.

Kevin Stewart: I canna help it.

The Convener: I know that you are keen to get into that discussion—and I welcomed the intervention in Gretna—but I would like us to keep the discussion to the interaction between business and Government and individual MSPs.

Jane Wood: Yes, but I will just come back to what Kevin Stewart said because this is a very important point and it is not just about housing, convener. The perception of the problem is a problem in policy making. There is the matter of education about what the problem is and whether it concerns finance or whatever—Claire Mack raised that point, too.

Mr Stewart is absolutely right that house builders need to be authentic about where we might be part of the problem, and we are. However, I can say that we have put all the issues forward. We have been very open about the issues. The Government is sitting at the moment with 50 issues that we have raised, and the answer lies in the sector and Government working together. We have case studies and data that I would be happy to share with you. On both of our sides, the education point is very important to preventing us from creating solutions that are not relevant to the problem at hand.

The Convener: I will allow Claire Mack to respond to the question that Daniel Johnson asked some time ago, but, first, Jamie Halcro Johnston has a question on this specific point.

Jamie Halcro Johnston (Highlands and Islands) (Con): The new deal for business was announced in April 2023 and the first meeting of the new deal for business group was in May 2023. We then saw significant cuts in the housing budget. Were the issues that we are discussing raised by any of the groups at that meeting? If so, were they ignored? I doubt that the sector would

have been calling for those cuts. How did the new deal for business help business to get its ideas across at that point?

Jane Wood: Sitting here now, I am not sure that there was any direct communication with the new deal for business on the impact of the housing budget. The impact of the affordable housing budget being cut was well documented in data that we gave to the Scottish Federation of Housing Associations and other players in the public and private sector house building sectors. There was some intensive work with Government on the impact that the cut would have, and lobbying for the budget to be reinstated. It has now been reinstated and we welcome that.

Jamie Halcro Johnston: So, the engagement played a role in getting the money back, but perhaps not in stopping the cuts in the first place.

Jane Wood: That is correct. We lobbied hard for those cuts not to happen but there were some difficult fiscal decisions to be made. We were increasingly concerned because, at that point, the Scottish Government's housing data on completions and starts was already showing significant drop-offs, and we knew that the cuts would impact on affordable housing as well, because a lot of that is built by private developers. That was well documented. A lot of evidence was given about the impact before it happened, and then there was lobbying for the budget to be reinstated.

The Convener: I will go back to Claire Mack, to respond to Daniel Johnson's question.

Daniel Johnson: I will rephrase my question—I just need to remind myself what my train of thought was. Claire Mack, you made a very important point about broad alignment. Sometimes, we view the economy within a portfolio and a silo, but the industry has touch points—in your sector there is the 50GW target and the net zero target for 2050 in the UK, and a different date in Scotland. However, we are still awaiting decisions on projects such as Berwick Bank, which is now at the two-year mark. Do you think that we are taking seriously the alignment that we need, with regard not only to regulations but decision making processes, to meet the objectives and targets that we have set out collectively with industry broadly and your sector in particular?

Claire Mack: It is as if you have read my notes on this point. I have spent more than 20 years in regulation at the UK level. The energy sector sits in a space where regulation is generally split between Scotland and the rest of the UK, but there are places where Scotland very clearly has the opportunity to use regulation to create a strategic

advantage, and planning and consenting is one of those.

We have engaged very heavily on the national planning framework 4 with regard to onshore renewables—that touches on Jane Wood's work, as well. We have had lengthy engagement on that and are starting to engage again with regard to the efficacy of the framework and how it is distilling down into local government decision making. I think that we are probably not clear that it is having the intended impact—again, that is the intention and impact point.

You can look again at other places to see what good looks like. For example, with regard to what has happened with grid regulation at the UK level, the Office of Gas and Electricity Markets has created accelerated regulatory frameworks that have unlocked investments at lightning pace. We have a similar opportunity with regard to things such as planning and consenting, but I fear that we are not taking it.

10:15

There are some key sensitivities. I am not criticising any of the people I work with, for example, those who are trying to work out new frameworks for assessing environmental impact. We have an environmental impact and it has to be measured and monitored—that is very important. Some great work is being done at the moment, alongside the UK, by our colleagues in the marine directorate in the Scottish Government to help think about how to create a strategic compensation framework. However, at the moment, we are in a situation in which our national marine plan and our sectoral marine plan are running exceptionally late. We also sit with an energy strategy that is running late and with no sign of when it is coming. Those things set the tone and become the north star for things such as regulation but also for investment decision making.

There are some key enablers in that regulatory space that we could be using but are not using. That was very much acknowledged in days gone by when the US brought out the Inflation Reduction Act 2022. We could not match that in cash terms, but we could match it by playing smart and using regulation and policy alignment to meet the challenges that meant that our international competitors were sitting with an advantage ahead of us.

Daniel Johnson: We need to apologise to both Claire Mack and Jane Wood. We could do entire sessions on house building and the need for renewables.

Tony, I was reflecting on what you were saying. I repeat ad infinitum the McKinsey mantra that, "If you can't measure, you can't manage," so I agree

with what you said. One thing strikes me, because it reminds me of what I thought when I was running my business. Jane Wood and Claire Mack run great organisations that are an important part of engagement, but sometimes politicians think that if they have engaged with the trade body, they have engaged with the sector. Does the Government, and politicians in the round, need to think about trying to understand individual businesses more? What would you like to see happen? You obviously do not want to meet a politician every day; you want to run your business—

Tony Rodgers: No, I do not—no offence. I have a big business to run. I kept harping on about partnership because targets need to be the right targets. We do not need loads more targets. We just need the right targets.

I will come back to what I think that I could bring to a partnership arrangement with any number of people around this table, or the broader Government. I run a business that is headquartered in Scotland and I am the chief executive. I have the research and development people here. All our intellectual property is generated here. We are the world leader in what we do, from Scotland. We export to more than 100 hundred countries and we are good at it. I have manufacturing in Germany, Denmark, Abu Dhabi and North Carolina in the United States, but the heart of my business is in Scotland. That is because I am a Scottish chief executive officer. The next CEO might not be Scottish. What are you guys doing to make sure that the heart of Emtelle—the IP, the R&D, the high-value jobs, the purposeful jobs in the wellbeing economy—stays in Scotland? I think that what I could bring, sitting down with you guys, is to say, “This is what happens in Germany. This is what happens in Denmark. This is what happens in Abu Dhabi. This is what they do in the US.” Let us create a vision for Scotland that is better than that by speaking to people like me.

With all due respect to the rest of the people around the table, their remits are Scotland focused. I want to try to give you a global vision. I am a passionate Scot and a passionate Scottish industrialist and manufacturer but technology-driven at the heart. Some new CEO might come and say, “Right, well—” because when they replace me, they might put a German in charge, a guy from Arabia or a guy from the US, and he might want to take his whole senior team and all his technology and all the knowledge to somewhere else. We truly do lead the world in what we do.

Jane Wood: In a previous life, I spent 15 years in UK-wide roles with UK-wide plcs. The exam question that would be interesting to ask if you

went to those plcs that have operations across the UK or globally is, “How easy is it, comparatively speaking, to do business in Scotland?” When I was in a role like Tony Rodgers has, I constantly had to answer that question at plc boards, such as at BT, when they were investing, and the Dundee office that we have just seen open. Boards constantly ask how easy it is to do business in Scotland compared with the rest of the UK or globally. That would be a very good exam question for the Government and it should get the answers directly from the plcs. I do not want to go back to housing, convener, because we have already spent a lot of time on that, but in our industry, we are definitely seeing that sense of, “Do you know what? It is easier”, or “The policy environment is too difficult,” or whatever, but we need to understand what that is. It is also about how we work together but I think it is a point—

Tony Rodgers: Jane, that is fantastic. We look sadly at the people who have lost their jobs at Grangemouth. What was being done by Ineos in Grangemouth? Ineos is not stopping doing it; it is just doing it somewhere else. My business in the Borders employs more people than Grangemouth does. What are the politicians going to do? How are we going to have a conversation with you guys to keep my business there? That is my passion. That is why I turned up today.

Daniel Johnson: Those points are excellent. I was just turning to the convener to say that perhaps we should end the committee session there. If there is one message that we should all be listening to, it is that one.

Nathalie, I will come to you. You made the good point that business should try to understand precisely where decisions are being made. That said, I would say that the onus is more on us. You talked about the pattern of engagement and how it started off with businesses coming to the new deal for business and the industry leadership groups. Are we making it too difficult to engage? Do we need to rethink that? Certainly, when I was running my business, I would not have had the time to come along once a month, or even once a quarter, to essentially give a day to meetings. Do we need a short, sharp, practical way to better engage with more businesses?

Nathalie Agnew: Yes. In retrospect, just making the new deal for business group about the ILGs and the business support organisations and industry associations would make sense because that is a very good strategy to engage and understand the issues within industry.

The businesses faced challenges with terminology, jargon, the BRIAs, even the term “wellbeing economy”. We challenged that. I co-chaired the sub-group on the wellbeing economy and the first question was, “Do we have to call this

the wellbeing economy?" We were talking to business and people thought it was about healthcare businesses, but the wellbeing economy matters to everybody and should sit across all areas. Engagement comes back to communications and the translation of policy into practice and what it means for businesses.

I will give you another example. I curated a group of business leaders to come and speak to the wellbeing economy group in the very early days. The way it rolled together meant that we ended up with some policy people presenting what I would call death by PowerPoint for an hour to a group of blank faces on Teams. We lost some engagement there—and got some feedback, which we agreed with. How do we translate policy to what businesses care about, which is income, profit, fair work and hopefully ED&I—equality, diversity and inclusion? I was complaining about acronyms, so I will spell mine out.

Daniel Johnson: So, ban acronyms; ban PowerPoint. Got it. And with that, I will finish my question.

Nathalie Agnew: Yes, it is a communication challenge. How do you engage businesses with Government direction?

Daniel Johnson: Terrific. Thank you very much.

The Convener: It would make our workload shorter as well.

Claire, I think that you want to come in.

Claire Mack: Yes. Nathalie hit on a very interesting point, which is about engaging with businesses in the way that they want to be engaged with. You have to be quite clear that a lot of my members are SMEs. As a trade association, I tend to talk to Government about policy that goes 10 years out and my SMEs are not interested in that. They want to know where their next contract is coming from. I am providing very different services to them.

It is interesting—this links to the point that Tony Rodgers makes—that in a business context, if I was Tony's supplier or stakeholder, he would be getting his account managed by me because of the size and scale of it. His is exactly the kind of business that we need: it is exporting; it is employing in areas of the country where employment is low. I share a bit of that frustration, which comes to a point around economic data and following the data, which I think has been a bit of a theme here.

I look at my sector and at what we are trying to achieve, which is very hard for Government to understand. It is my organisation that gives you the job stats, because the Government does not have job stats to track who is working in

renewables even though that sits at the centre of the Government's economic policy—the support that comes for the clean power agenda is very welcome. There is probably a gap in there that needs to be addressed. We are served by a UK data machine that is not channelling the information that we need in order to identify the businesses that we should be looking after and to identify our missions and how well we are doing on them. That is a very important point that would enable the communication point that Nathalie makes and the point that Tony Rodgers makes about understanding where the heavy hitters are.

Kevin Stewart: Nathalie, you talked about communication. Tony, your communication of your passion has been quite fantastic and that is grand. It is what we need, quite frankly.

I want to talk a little bit about communication and getting the messaging about what is required across, not just to Government but to us in here, to other politicians in local government and the UK Parliament as well.

I will look at my engagement with business over the past couple of days. Last night, I was at an Ocean Winds event here in the Parliament. In the very short speechifying last night, they got across what their major challenges were. They talked about the positives of the Moray east and Moray west offshore wind developments but also about the future challenges. That then becomes a challenge to me because they have the information there about the grid, transmission charges and all of the rest, in easy-read format, easy to take in, easy for us to understand and to recognise what needs to be done to move forward. In some cases, as you have said, some businesses do not have the ability to do that.

The other day, my engagement was at Charles Michies Pharmacy in Aberdeen. One of the owners, John Michie, is a man a bit like Tony over there: he is very direct, knows exactly what is required, has probably never been on a communications course in his life but knows exactly what needs to be done. How do we get to the point where, whether businesses are as big as Ocean Winds or as small as Charles Michies Pharmacy, they feel that they can communicate directly to us the simple facts, so that we know what is needed as we move forward? I will go to the comms expert.

Nathalie Agnew: It is about consistency of messaging, being very clear, setting a consistent message and delivering it over the long term. Scottish Government priorities—fairer, greener, growing—are all things that the business community plays a huge role in addressing. The child poverty priority can be addressed through fair work. It is about engaging businesses with those priorities but businesses need to know what is in it

for them and I think that that is the missing link. There is too much of, “We are doing these things to you and you need to follow these regulations, you need to change your process to do these things.” There is not enough of what is in it for me, for my small business employing 35 people if I engage with Government and if I support those goals. What is the benefit for me and why should I engage with you rather than do the other things that are probably higher up on my to-do list?

Kevin Stewart: Are some folk too afraid to approach politicians?

Nathalie Agnew: Absolutely, yes. It is a huge challenge. I work in comms. I work with clients and encourage them to come to things like this or to write to their local policymakers to raise the issues that matter to them. I think that people are scared. They do not know what will happen to them.

Lorna Slater (Lothian) (Green): You guys have had loads of time, come on.

Kevin Stewart: I am quite happy to give way to Lorna Slater.

Lorna Slater: Is it my go?

The Convener: I will bring in Willie Coffey and then I will come back to you.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. I was going to touch on the broad subject of support and how the Government can support business to do things better and to have these shared aims, but Tony Rodgers throwing us the wobbly initially and some of the discussions have been really helpful.

To bring this conversation along, it is crucial to hear what you are saying to us today. In your opening remarks, Tony, you said that you had never heard of the new deal for business and had never been in touch. That is a huge problem, is it not? It has existed only for two years, and it is supposed to have been established to foster better relationships and all the nebulous stuff that you talked about at the outset. That is fair, but how do we take it forward?

10:30

Tony Rodgers: My response will be selfish, Willie. I come from global manufacturing and, if it were not for Claire Mack and Jane Wood, with their industry bodies, I probably would not have much work for my business in Scotland, because they drive renewables. I have about 50 guys who do nothing but produce for renewables. We probably have about 50 people who do nothing but produce for housebuilders. But to get more support for my business—for my sector, which is global industrialisation—what is the strategy for manufacturing? What is your strategy for industry?

In my business, I have 450 people in the Borders. I probably employ about 1,000 people, so my business generates 1,000 jobs in the chain and we service everything. For example, we service broadband. What is your digital strategy? I hear a lot about artificial intelligence and I can tell you that we are miles behind everywhere else in the world—other than Germany, you will be glad to know. Germany is worse than us by a considerable distance, but we are miles behind. So, what can you do? You can involve people.

We are not a big plc and we are not a wee SME—we are in the middle. You could get a few of us together and say, “We’re going to develop an industrial strategy and then measure ourselves against it,” and you might aim for growth of 7 per cent in industrials and to have 20 new business starts. If, after five years, you had achieved only 80 per cent of that, it would still be a success. We, in business, would see that as a success, as you would have committed to doing something and said, “Now, let’s do it.” The job of politicians is to create the environment, and it is my job to deliver. As long as we get the roles in the partnership right, I can help you, because I can show you what they have done in Abu Dhabi with an industrial strategy, what they have done in North Carolina—I cannot talk about the whole of the US—and what the Danes and the Germans do. I would like to think that I could maybe help a wee bit, because I am a passionate Scot in manufacturing. Open the door.

Willie Coffey: If you had an invitation—

Tony Rodgers: I honestly do not know why I was invited here, but I thought I would turn up. [*Laughter.*] I usually knock these things back, because it is just a talk, but I thought, “It’s Scottish, I’m a CEO and I’m really passionate about keeping all these jobs in Scotland. If I speak to these guys and girls, maybe we can do something.”

Willie Coffey: Okay. Jane, do you want to come in on that question?

Jane Wood: I agree with what Tony Rodgers said, but let me unpick that a little bit. I think you are absolutely right about the role of politicians—I agree with that—but the issue is what happens next. I think that, if you had Government officials here, they would say, “Gosh—another thing to do.” You have to look at the skills and resource that the Government has within itself. Part of the issue is where it lands in Government. A politician or whoever goes back with an initiative but it then goes into the enormous, sometimes unyielding entity that is the Scottish Government, which has its own resource restrictions, and it is really difficult to do. That happens all the time. It is about creating something here but just doing a sense check to ensure that you have the skills and

capacity in Government to deliver it, because that can be a real problem.

On Claire Mack's point about sector skills, you have—I am going to read this out—the businesses and Scottish Government joint principles agreement with the big five, but the investment that is needed to deliver a lot of this stuff may need to be more in sector skills knowledge, and having more private sector knowledge in the Government would be really helpful. I think it is a really tough gig for Government officials to work on very complex sectoral issues. They just cannot do it—they do not have the capacity. I know that a lot of people in business give a lot of their time to round tables and things like that, but, ultimately, it is the officials who have to deliver the policy. Are they fit for purpose? Are they able to do it? Are they resourced? Maybe that needs to be recognised as a challenge—in a respectful way.

Willie Coffey: Does the new deal open the door to allow that? The purpose and the intention is to embrace collaboration and working together. Is it not doing that?

Jane Wood: A lot of things can be created in a bit of a bubble, can they not? I do not know enough about how it is constituted or how it links in to broader elements of directorates in the Scottish Government. I know that it sits in the economy directorates—that is absolutely right—but how is it pushing across the others? We have 370,000 businesses in Scotland, and 98 per cent of them are SMEs. My gosh—it is a tough job to engage with the businesses across all the different sectors that sit outside the big organisations like ours and Claire Mack's, which try to represent them.

Willie Coffey: Claire Mack is desperate to come in.

Claire Mack: Did I look desperate? I did not mean to.

I am keen to crystallise a little bit of that. The SMEs point is really important. It is different and it is very hard, and I think that Nathalie Agnew and Tony Rodgers have given different reflections on engaging with SMEs and how challenging that can be. They spend a lot of time running their businesses, and sitting and chatting with Government about how things are is probably not at the top of their agenda. However, I think that there is scope for more structured engagement with business. You cannot speak to every single SME—the numbers speak for themselves—but there are various business sentiment surveys.

For example, I speak quite regularly with the Bank of England, which has people in Scotland who spend their time trying to understand different sectors. They have recently really upped their engagement with the renewables sector to

recognise where it sits but also to recognise the challenge that I spoke about in relation to the Treasury and others. The Bank of England's investment committee is very interested in renewables in Scotland. In the UK Government, each of the departments has a dedicated external affairs function, which I engage with regularly, but I do not see the same in Scotland.

It is about making things better, and, to be honest, I do not think that the new deal has shifted the dial on that. Certainly from where I sit, people do not come and speak to me under the auspices of the new deal. I speak a lot to civil servants in the directorate that I engage with, but it is quite tricky for us to get into the other directorates. If there was the stakeholder manager doorway that we see in other entities, that would genuinely help with structured engagement. There is a strong role for the trade associations in ensuring that we can engage on the big-picture stuff. You would expect me to say that, but I genuinely believe it, which is why I do the job that I do.

I can engage with Government on a daily basis, and I probably do in one way or another. I also engage daily with vast numbers of members. The trade associations can be an excellent funnel for helping to get a consensus industry view, but there are always wider views, and sometimes it is about the question that you ask. That goes back to the sentiment surveys and the need to bring a bit of agility to those, working with the people who do them, such as the Fraser of Allander Institute and various other people—I think that the chambers of commerce also do them—to get very specific questions in them about how things are for businesses: not just how they are doing, but how policies are working out for them. We are not very good at running round the review cycle. Again, Government should be a bit more like business and should review and reset if needed.

Willie Coffey: Thanks, Claire. Maybe we could have a last word on that from Nathalie Agnew.

Nathalie Agnew: The sub-groups within the new deal for business group felt quite brief-driven. The regulatory review sub-group and the business partnership sub-group later merged to look at improving relationships, and we challenged the wellbeing economy sub-group to sit across the groups, but there were also the really specific non-domestic rates sub-group and the sharing key metrics sub-group—there was discussion of metrics earlier. At times, the process felt quite insular because of the membership, and there was maybe more opportunity to go out to the wider community and to bring in a lot more of the ILGs, the trade bodies and the membership organisations that were not on the membership list.

Willie Coffey: Okay. There are some big messages in there. Thank you so much for sharing that with us today.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning. Given the time constraints, I will try to cut my questions a bit short, although the answers might take a bit longer.

Last week, we heard that business confidence is on the floor and at its lowest level for a number of years. What are businesses' main concerns, and what can Governments do to address them?

Nathalie Agnew: I am stating the obvious, but the impact of the national insurance changes is the number 1 concern that the IOD hears and that I hear from my network. That is obviously not a Scottish Government issue, but it is having a huge impact on the business community. Many people we speak to will have real challenges in finding the additional budget in April, and that will make a big difference in relation to growth ambition, investment in people, fair work and the ambition to increase wages so that people are paid a good wage. The policy is putting a real squeeze on businesses. Although it is not a Scottish Government policy, its wider implications need to be considered.

Gordon MacDonald: Will the policy have an impact on employment levels?

Nathalie Agnew: Absolutely. For example, I hear people say, "I usually take on an apprentice, but I won't take one on this year because of the impact of the changes," or, "We won't replace that person, because that would eat away at things and have a big impact." The changes amount to £1,000 per person on an average salary. I have 33 staff, so I am projecting a £33,000 increase in national insurance costs from April. That is a concern.

Gordon MacDonald: The second half of my question was about what either Government could do to address concerns.

Nathalie Agnew: The Scottish Government cannot help on the issue of employer national insurance contributions, but it could provide support for employment programmes that bring young people into the workforce. A few years ago, there was a fantastic programme called Graduate Career Advantage Scotland, which gave a lot of graduates a first start in roles and removed some of the risks for employers. SMEs also really miss the flexible workforce development fund, which provided £5,000 a year for training. The squeeze will be felt in areas such as training and graduate recruitment.

Claire Mack: That point was well made. That sentiment comes across in every business survey.

My industry probably has a slightly different position. We are very concerned about the investment environment. That is absolutely top of the industry's list of concerns. I hate to bring up a very esoteric industry point, but the zonal pricing issue is a huge driver of that concern.

As Nathalie Agnew said, there are areas where the space is wide open but opportunities are not being taken, and one of those relates to skills. When I speak to members, the lack of a viable skills strategy sits very close to the top of the list of concerns. That is not to say that things are not happening, because they are—I sit on an offshore wind skills group—but it is important to note that Scotland could have created a point of difference from other places in the country, and we did not take that opportunity.

We need a massive infrastructure build programme, which requires a joint effort between the Government and industry on public acceptance, but we are frustrated that, at the moment, the conversation is heavily weighted towards the wrong tool. It is heavily weighted towards community benefit as a way of driving public acceptance. That is not, and will never be, good enough. If the Government wants renewables to be at the centre of its economic and energy strategies, it needs to come alongside us on the point about public acceptance, as payments are designed not for that but to mitigate impacts in communities.

There is probably a gap in relation to exports and international relations. From my perspective, we could definitely create better understanding of what we want from international engagement. We have spoken about various countries that have had prowess in the past. People from countries such as Denmark and Norway knock on our door, and I meet them regularly, but, to be honest, I would like to be a bit clearer about what we want from that relationship. Are we collaborating with them or competing with them? There needs to be clarity about what we are doing.

There is a real mismatch in the energy space. Issues relating to bills, jobs and skills, community benefit, public acceptance, community energy and local discount schemes all are mashed together and thrown at us. We are told that those are all the industry's jobs, but they are not—a lot of them are joint jobs, particularly in relation to public acceptance.

If we do not get the investment environment absolutely right, my business will struggle to deliver any of the other things that I have spoken about.

10:45

Tony Rodgers: Nathalie Agnew articulated the NIC issue, so I will not cover it again, but she did not mention the minimum wage. We do not have any staff on the minimum wage—at the lower end, everyone is on the minimum wage plus—but the increase in the minimum wage will automatically account for a large chunk of cost increases. That is clearly a burden on our business. I do not know how we will deal with it, but it will certainly temper our enthusiasm for recruiting people.

I would like the Government to provide a bit more support for local manufacturers in local supply chains. They should be afforded some priority in local statute, given what we bring to the country's GDP. We also want more infrastructure investment, because I support all infrastructure in the UK.

On support for manufacturing businesses, with a lot of the data stuff that we are doing in the UK, particularly in Scotland, we have competitors from Korea. Korea manufactures its own plastic, and Korean businesses get a discount on plastic for exports, which allows them to be competitive. In our industry, nobody should beat us on price if it involves shipping a product from Korea, because the vast majority of the costs will go on shipping, but those businesses can be competitive because they get a subsidy from their Government through the back door. Do not get me wrong—I do not want a subsidy; commercially, I am happy to stand toe to toe with anyone. I just want recognition, in relation to Government-funded projects, that a product has been manufactured in Scotland or in the rest of the UK, so it can be said that we have ticked the box.

Ninety per cent of the things that Claire Mack talked about in relation to offshore-to-onshore power will involve ducts that were manufactured in the Scottish Borders. Whether it relates to BT or Persimmon Homes, all the data points that go to new houses will involve a duct that was manufactured in the Scottish Borders.

For Government-funded projects, can I get a wee bit of help to compete with people from abroad on procurement? If I am offering something at twice the price, the Government can kick me down the road for being stupid, but if I am within 2, 3, 4 or 5 per cent of the price, it should give me a wee bit of help, because my competitors get help from their Governments. That is all that I am asking for.

The labour cost inputs are doing us no favours, and I would say, "Get some infrastructure spending, guys."

Jane Wood: We have spent a lot of time discussing housing, but I will summarise the key issues for our sector. The challenges with the

regulatory burden in the planning regime are well documented. We have talked about land supply, and there are issues with labour, investment sentiment, data and utilities. It is a complex situation. There is no one-size-fits-all solution to any of those issues, and we do not have the time today to look into them.

What can the Government do? It would be good for it to recognise housing as a critical socioeconomic driver in Scotland. Support for SMEs is critical. We are really concerned about SMEs falling—we have lost a number of SME members because the markets are too difficult. We are in discussions about access to development finance, because the situation is so difficult for SMEs. We want bespoke regulation for them in relation to economies of scale and cost. We have our proposals laid out, and we are very happy to share them with the committee.

Another issue relates to the context that we are in. The number of completions is well below the target, and homelessness is going up, as has been well documented. We are waiting for the data in March on completions and starts, but we expect those numbers to continue to fall.

Gordon MacDonald: On that point, most of the house building that you represent is private house building and is demand led.

Jane Wood: It comes back to the complexities of the model. When we talk about all-tenure housing, it is important to note that 90 per cent of social housing is delivered by the private sector, so we need to consider the interdependencies across the housing model.

You are right that the house building is demand led. At the moment, sales are tough because of the environment in the broader market, but we need more houses. There is a chain of social, affordable and private housing, and each part of that cycle needs to work if there is to be an inclusive housing supply in Scotland for everyone, including vulnerable people who want to live in social housing, workers and people in businesses. That is the challenge, and we need to better understand that model, because there are tipping points.

I am very comfortable that the challenges in the sector are well evidenced, but, as the Government's NSET says, we need some pace and some interventions, because we are in a housing emergency.

Gordon MacDonald: We could talk about housing all day, but Lorna Slater needs to ask her questions.

The Convener: Yes. The final questions are from Lorna Slater, who has been waiting very

patiently. We always keep the best until last, so no pressure.

Lorna Slater: Thank you, convener. My question is directed primarily to Tony Rodgers, because Nathalie Agnew, who talked about B corps, Claire Mack, who works in renewables, and Jane Wood, who pointed out that housing is highly regulated, all live within our bubble a bit. I am an electrical and mechanical engineer by trade, and I have spent many happy hours shining a little penlight down a fibre optic cable and shouting, “I’ve lit number 1. Which one’s coming up?”, so I get what you do and why it is important.

Tony Rodgers: Fantastic.

Lorna Slater: What do terms such as “wellbeing economy”, “net zero” and “nature positive” mean to you, as a typical successful Scottish businessman? Do they mean anything to you? Do Scottish businesses know what they mean? Do you know what role you play in all that, or is it all just opaque?

Tony Rodgers: Clearly, I read around those terms, and I hope that I understand what you are trying to achieve. Most of that is what we, as responsible business leaders, are trying to do anyway. However, the messaging could sometimes be better. Nathalie Agnew or Claire Mack made the point about people thinking that wellbeing meant something about people’s health, but it does not—it just means that there is a generally purposeful working environment. If we stopped using some of the buzzwords and perhaps used a few more words, businesses would be more appreciative of what you were trying to achieve.

You could not get anyone who would argue with net zero—you would be mad to argue with net zero. We want to get to net zero and to protect things, but there has to be better communication and more consensus, because, in my experience, globally, it is thought of as an imposition at the moment.

We need to work together, because people such as you, with a green agenda, would like us to get to net zero tomorrow, but industrialists such as me have to balance the reality of net zero with economic viability every day. I think that you need some feedback on that, because most of the net zero and environmental targets that have been set over the past five years have been abandoned or extended. That shows the folly of them and the fact that they were imposed, not created by consensus.

I would welcome more targeting and the narrative being more about consensus. One of the reasons why I am here is that I am interested in partnership between the Government and businesses. If we took that approach, we would

get targets that stuck. You would ask me first, and I would say, “I want 20 or 30 years to do this, but you want 10, so let’s agree on 15 and make it bloody happen.”

Lorna Slater: That is a really interesting approach. Targets are set on the basis of—

Tony Rodgers: Many, many things.

Lorna Slater: The interesting conversation is about what businesses need, if science says that we have to do X, in order to get there. What is realistic for them?

Tony Rodgers: That is the part that you bring to the party, because I cannot bring it.

Lorna Slater: That is the bit that I am interested in. I agree about the jargon of “wellbeing economy” and “net zero”. How do businesspeople look at their own businesses and employees in relation to terms such as “the circular economy”? Again, nobody knows what that means.

Tony Rodgers: Those terms are nebulous, aren’t they?

Lorna Slater: Do businesspeople say, “Right, team, we’re going to do the circular economy,” or do you have conversations in which you say, “We’re going to insulate our warehouse,” “We’re going to buy electric vehicles,” or, “We’re going to see what we can do with this byproduct”?

Tony Rodgers: Exactly. We usually say, “Right, we have to report this, so we better do something about it.”

Lorna Slater: Reporting is an incentive for taking things forward.

Tony Rodgers: That is generally the approach that we take with reporting, but there is something missing from all this. If we had an industrial strategy, we would all know where we fitted into it. The renewables team would say, “Because the industrial strategy says this, we will do that,” so there would be no ambiguity. Housing would relate to one piece of the industrial strategy, and manufacturing would relate to another piece. The strategy would say, “To make all this happen, we need an energy cost of X or Y, which needs to come from this piece or that piece.” We have all these initiatives, and I cannot argue with any of them, but where are they all going?

Jane Wood: You have brought the discussion back to targets and measurement.

Tony Rodgers: If we have targets but no industrial strategy at the top—I know that it would take a few years to develop one—it is like a flag that is just blowing. The wellbeing flag over here might be getting a good bit of wind, but there might not be much wind for the renewables flag over there. We need to know where everything is going.

The industry loves to know where everything is going.

Jane Wood: We also do not know about the national outcomes. Those are the Government's indices for performance or key performance indicators—whatever you want to call them—but they are not known. We were very pleased to have housing as a national outcome, but, again and again, we have been asking, “What does that mean?” There are indices—indices are quite easy to do; we can all do indices—but what do we want that national outcome to deliver, and where do we sit in that regard? As Tony Rodgers said, we all want to know how we can influence things and what we need to do. That goes back to Kevin Stewart's question to me.

On the point about “sustainability”, “wellbeing” and language like that, there is a huge breadth of sophistication in the understanding of business and industry. I worked with Business in the Community for 10 years and did a lot of work on that. PLCs will have to report on those things, and a lot of SMEs will do the right thing, but that will not necessarily relate to the bottom line or a cost implication—they will just do it because they are good people who want to leave a legacy in their community. The problem is that we need to educate SMEs, certainly in our industry, on the value of the sustainable development goals—global measurement tools—and what they mean, so we need more support to do that with companies that struggle to understand the value of them to their business, the environment and their community.

Lorna Slater: Thank you.

The Convener: We could spend many more hours on this subject and ask many more questions, but that has been an incredibly useful evidence session. A number of members touched on skills, and the committee will turn its attention to work on that issue very soon, so we might get you all back again for round 2 at some point in the future. In the meantime, that ends our evidence session. I thank the witnesses so much for coming. We will have a short break while we change the panel.

10:58

Meeting suspended.

11:06

On resuming—

The Convener: I welcome our second panel. Luke McGarty is head of policy and public affairs at the Scottish Grocers Federation, Karen Meechan is chief executive officer at ScotlandIS, Paul Mitchell is operations director at the Scottish

Building Federation and Leon Thompson is executive director at UKHospitality Scotland.

As always, I ask members and witnesses to keep their questions and answers as concise as possible. I always fail miserably in seeking that, but I am trying again because we have a number of questions to get through and we are really keen to get the panel's input to our inquiry on the new deal for business.

I start with a brief question. Will you give us a flavour of your interaction with the Scottish Government and say whether it has changed in the past two years?

Karen Meechan (ScotlandIS): I am the CEO at ScotlandIS, which is the trade body and cluster management organisation for Scotland's tech sector. I am probably in a unique situation compared with the other panel members in that ScotlandIS did not join the new deal for business group until nine months or so ago. When we came in, the actions were already in motion, as opposed to—

The Convener: Why was that?

Karen Meechan: I do not know. There was individual representation of the tech sector. An organisation, rather than a body, was on the new deal for business group initially, and when it stepped down, ScotlandIS was invited on to the group. I have not been there from the very beginning. I have just been there latterly.

However, ScotlandIS has spent a number of years working closely with Government, so we have a number of connections with it across all policy areas and directorates. We already had very good connections with Government through the various digital directorates and the digital commercial services teams.

Paul Mitchell (Scottish Building Federation): Good morning, and thanks for the invitation to come and speak today. I am the operations director at the Scottish Building Federation, which is celebrating its 130th anniversary this year, having been formed in 1895. We represent 250 construction companies of varying sizes across Scotland, from tier 1 contractors right down to your local village builder.

We have not had any direct involvement with the new deal for business. We have not been associated with it directly, and I have had to do a bit of reading ahead of this morning's session. However, we have felt that, in the past year or so, there has been a change in the mood music from the Scottish Government. It seems a little more open, accessible, engaged and willing to listen. I do not know whether that is directly because of the new deal or whether it is just a change of approach.

On our touch points, like ScotlandIS, we have a number of existing connections with the Scottish Government through the Scottish Construction Leadership Forum, the cross-party group on construction, various directorates in the Scottish Government and our networking events. I have not noticed any change in those existing connections, but there has been a feeling that the Scottish Government is a bit more willing to listen.

The Convener: You have noticed a change in mood as opposed to a change in mechanisms.

Paul Mitchell: Yes.

Luke McGarty (Scottish Grocers Federation): Thanks for the invitation to be here. I am head of policy and public affairs at the Scottish Grocers Federation, which represents 5,220 convenience stores across Scotland. Our sector employs over 55,000 people.

We were not invited to take part in the new deal for business at the outset. Our chief executive wrote to the then Cabinet Secretary for Wellbeing Economy, Net Zero and Energy to ask that we be included in the various types of dialogue, which resulted in our being invited on to the retail industry leadership group. We are now part of that group and it meets regularly. Subsequently, we have also been on various task teams to look at non-domestic rates.

I concur with what has been said. There was already dialogue with Government. Has there been a noticeable shift? Maybe, but there are elements where we would like to see more engagement. For me, that would include ministers coming along to SGF events. There is an opportunity to ensure that, rather than somebody like me saying to our members, "This is what the new deal for business means for you", we have a minister there to represent the Government and tell them about it. It would be helpful for retailers to have that touch point and be able to relate to those who make the decisions that they subsequently need to implement.

Leon Thompson (UKHospitality Scotland): Good morning, and thank you for the invitation to come along and talk to you. I am the executive director at UKHospitality Scotland. UKHospitality is the country's largest and leading sector body that looks after the interests of hospitality, by which I mean hotels, bars, restaurants, pubs, a variety of indoor leisure settings, coffee shops, nightclubs and visitor attractions. Across the UK, we have 750 members that operate 130,000 venues. In Scotland, we have just under 200 members that run about 10,000 venues across the country. Our members are active in every community and every region of Scotland and they deliver great experiences for everybody.

Engaging with the Government is the biggest part of what I do in my role. I have multiple touch points with the Government on business, health, safety issues, night safety issues and environmental policy. I do not think that there is a bit of Government that I do not engage with. Skills and education is another critical area for us.

The new deal for business has added to the engagement that was already there. I am not on the group, but I have been involved with the sub-group that is looking at non-domestic rates and—

The Convener: Have you been involved as a member of that sub-group or have you just fed into it?

Leon Thompson: I am a member of it, and also of the regulatory improvement sub-group. That has been my involvement and input since the work started in the spring or summer of 2023.

11:15

The Convener: Have your interactions changed significantly? Apart from your involvement in those two sub-groups, has much else changed?

Leon Thompson: Personally, I have always found that the Scottish Government has an open-doors policy. I have never found it a challenge to get in front of a minister or to engage with officials. There has been a lot of listening. Whether there has been action is maybe another thing altogether and I guess that we will come on to that.

On changes, I suppose that we started at a pretty low base as we were coming out of Covid and hospitality was one of the hardest hit sectors. We were closed first and we were closed for the longest. We had restrictions in place for a good length of time and public health messaging was against people going out and using our venues. I think that, from our businesses' point of view, there was a degree of negativity about the Scottish Government and the approach that was taken during Covid. When we came out of Covid, we saw a long list of policies and legislation coming towards our businesses on, for example, the deposit return scheme, the visitor levy and various food issues that they would need to grapple with.

What has changed in the dialogue with Government is that there is a greater understanding of the cumulative effect and impact of legislation. We are still going through a lot of that legislation and policy, but there is at least a greater understanding that regulation can be as harmful to business as difficult economic environments.

The Convener: Thank you. We will certainly come on to some of those changes or differences, perceived or otherwise. I will bring in Murdo Fraser

in a moment, but first I will bring in Lorna Slater, who has some questions on those issues.

Lorna Slater: It is lovely to see you all here. I think that I have spoken to most of you before in other contexts, but it is my first time meeting Karen Meechan. Thank you for coming along.

One of the challenges that we have as a nation is getting businesses aligned with Government priorities on things such as—I am going to use all the terrible buzz phrases—a circular economy, a wellbeing economy, net zero and becoming nature positive. I would love to hear from you how well your members understand what those things mean for their businesses. Are they just meaningless buzz phrases? Are they things that your members understand and are able to implement? If not, how can we help to ensure that that is the case?

Leon Thompson: We have a large membership base and many of the businesses are very plugged into a lot of the Government's agenda anyway, particularly on the environment and sustainability. We have members who are real exemplars and are leading in those areas. Businesses are very focused on the environmental, social and governance agenda and on monitoring and measuring. They do that because it is the right thing to do, because they want to do it, because it is better for business or because it is what employees are looking for. For those reasons, a lot of my members are plugged into that agenda.

The challenges come when the regulation and policy all hits at once, because it looks as if the Government is not joined up and there is just too much happening. We have sometimes seen policy being developed in a vacuum and the Government is often not clear what the issue or problem is that it wants to solve. If we had better dialogue between business and Government, we could perhaps arrive at better policy and then better outcomes.

Hospitality is a very willing partner of the Government. We understand that it wants to introduce legislation and policy, but we need to work together to arrive at a point where that is helpful to both sides.

Paul Mitchell: We have to recognise that construction makes a huge contribution to emissions and the use of resources. We are well aware of that, but we are doing what we can to improve our processes in the industry. Our members are aware of the net zero agenda and the environmental agenda, principally through building standards. Recently, we have seen huge changes to housing standards, which our members are having to grapple with. There is an opportunity to develop businesses, but there is

also a cost, because the changes add to the cost of the units, and there are inflationary pressures as well. However, like Leon Thompson's members, our members engage in that area.

We are beginning to see more coming through the tender processes, and looking at environmental approaches is a bigger and bigger aspect of the procurement process. I also note that we have had engagement with Zero Waste Scotland, which has been very helpful on this agenda.

Karen Meechan: Like Leon Thompson and Paul Mitchell's sectors, our sector is very well aware of the net zero targets. We are looking at list of waste codes, green coding and the impact that AI will have, certainly when we look at our data centres. The larger companies are far more aware. The focus of the smaller SMEs is just on keeping the lights on. We and the industry are aware of the policies, but they may not be the very top priority for some companies.

Luke McGarty: I concur with a lot of what has been said. Our members are aware of the various policies—the circular economy, the deposit return scheme, the extended producer responsibility and things like that—and they are aware that they will have to calibrate their businesses and adjust to those in due course.

In saying that, I am thinking about people I have spoken to who are just trying to run their businesses in a viable way given that there are such strains involved in running a business at this time. As Leon Thompson said, we have different legislation potentially coming down the line, and it is very important that Government directorates do not operate in silos but talk to one other so that we do not have everything landing at the same time. If I run a small business such as a convenience store, will I have the funds or resources—the access to loans or whatever—to help me to future proof for all the things that are coming? How do I cope with that at a time when we have rising energy prices that hit retailers, but also hit customers in the pocket and affect what they may be able to spend in store?

Our members are aware of those things, but we need to consider how they will be able to do what is required given that they have to contend with a whole range of other costs—I will not mention everything now—that will rise again at the start of April. Things have to be done sequentially.

What are retailers in our sector looking for to help them? We have called for 40 per cent business rates relief for a while now but, unfortunately, the Government has not been able to give that to the sector, although it has been given down south. Wider things such as that would make the adjustments slightly easier for

businesses. No one disputes the importance of the work that Lorna Slater mentioned, but the questions for businesses are how they can do it in practice and how they can be supported to fund it.

Lorna Slater: I have heard that the businesses that you represent are broadly on board. They understand that part of the wellbeing economy is about paying living wages and that the circular economy means looking at what happens to their waste and making their processes more efficient. People get it, but they are struggling with having the resources and bandwidth to actually do it. Is that a reasonable summary?

Leon Thompson: Yes. We had an inquiry into fair work in the hospitality sector, which was run by the Fair Work Convention. I and others from the sector were involved in that and we sat alongside the unions to work out how we can arrive at more fair work practice and principles being in place across the sector. One of the biggest barriers is undoubtedly cost. That is a reason why a lot of businesses are held back in that space.

The Convener: I call Jamie Halcro Johnston for a brief supplementary.

Jamie Halcro Johnston: I will be very brief, convener.

I just want to follow up on the points that Lorna Slater made. People have been talking about dialogue and awareness, but surely the new deal for business is about a two-way dialogue. It is not just about businesses being aware of what the Government wants, but about the Government understanding better what businesses need, and it does not sound like you are entirely confident that those points are getting through. I think that that goes across all the sectors; whether it be DRS, short-term lets or the wood-burning stove ban, certain actions have happened, some of which have been taken back again. Are you confident that the Government is acting on some of the issues that you have been raising? Does anybody want to convince me that I am wrong on that?

Karen Meechan: For the past 16 years or so, ScotlandIS has been creating what you might almost describe as a health check for the tech sector, where we bring and share with the Government the challenges that our sector is seeing. We are doing an analysis for this year just now. Skills have always been a big challenge for us, and procurement has been a challenge, too. Our sector has various key touch points—or pain points—that we have been making Governments aware of for the past 16 years.

In those 16 years, there have absolutely been some initiatives that have helped our sector bounce back with regard to skills and other things, but my sector is different from retail, hospitality and construction. In short, the Government is

absolutely listening to some of the key challenges faced by my sector—sometimes.

Jamie Halcro Johnston: Thank you. Does anybody else want to comment?

Luke McGarty: Perhaps the top issue for convenience retailers at this time is the scourge of retail crime. According to the document from the chief statistician that came out yesterday afternoon, shoplifting went up 89 per cent between December 2020 and December 2024. That is a concern.

In fairness, though, we very much welcome the Scottish Government's allocation of £3 million to Police Scotland. SGF is part of the Scottish partnership against acquisitive crime—or SPAACE—which, essentially, will be involved in how that money gets spent down the line. It is certainly very much welcome.

However, as you would expect me to say—because it is true—for such a positive step to work, that kind of money has to be sustained year on year. I am not saying how much it should be, but for anything to get embedded and create positive behaviours or results, the money must not be a one-off. It has to keep coming down the line—as long as you can show that you are getting results with it. I do understand that.

Something that I would also say, and which certainly chimes with the earlier discussion, is that there was engagement with the Government before the new deal for business. Anecdotally speaking, we have the Scottish Food & Drink go local programme, which puts convenience retail in touch with local suppliers so that we can get fresh produce on the shelves in convenience stores. It ties into the wider environmental aspects, because it might mean fewer miles on the road to get the produce delivered, and it also sustains jobs. That programme is supported by the Scottish Government and Scottish Food & Drink.

Lastly, I would highlight the healthy living deal, which again is supported by the Scottish Government for—

Jamie Halcro Johnston: But they were all before the new deal for business came in.

Luke McGarty: Yes, but they are continuing to operate successfully. More needs to be done on other fronts.

Jamie Halcro Johnston: I see that Leon wants to come in, but I am just very conscious of time.

11:30

Leon Thompson: Of course—I will be very quick.

Perhaps one example of where listening has not been turned into action, despite the industry making a very strong case on the cost pressures for hospitality, has been the passing on of rates relief. We had two years of not getting the 75 per cent rates relief that was made available to our counterparts in England, albeit that the first year was before the new deal for business came along. This year, the 40 per cent rates relief enjoyed by retail, hospitality and leisure in England has been only partially implemented here for hospitality and, even then, only for businesses with rateable values of less than £51,000.

Therefore, the big part of our conversation with the Scottish Government over the past few years has been on cost pressures and challenges to the operation of businesses. My members would certainly have seen it as being within the gift of the Scottish Government to pass on that rates relief in support of our businesses, but it did not happen. Obviously, for the businesses that will be in receipt of 40 per cent relief this year, it is good news, but an awful lot of businesses have been left without any support at a very challenging time.

Jamie Halcro Johnston: I will ask Paul Mitchell to respond, just in case the convener never brings me back in again.

Paul Mitchell: I will be very quick. There is not always an awareness of the cost to businesses of the circular economy, the wellbeing economy and environmental policies. We agree with the intentions behind a lot of those initiatives, but I do not think that there is always a full enough understanding from Government of the practical implications, the logistics and ultimately the cost pressures that they can bring to businesses.

Jamie Halcro Johnston: That was my brief supplementary, convener.

The Convener: Yes, indeed. It was not so brief, though. I call Murdo Fraser.

Murdo Fraser: Good morning, panel. My question actually follows on quite neatly from Mr Halcro Johnston's. The new deal for business was established, really, to try to reset the relationship between the Scottish Government and business, and it follows a whole plethora of working groups, forums and other past resets, as those of you who have been around for a while will recall.

My question, therefore, is in two parts. First, is the new deal for business qualitatively different from what has gone before, and have you noticed that? Secondly—and Leon Thompson and Luke McGarty have already reflected on this—dialogue and engagement are fine, but are we seeing tangible outcomes from the new deal for business that are different from what went before?

You are nodding, Paul, so I will start with you.

Paul Mitchell: I mentioned earlier the change in the mood music rather than the actual procedures that come with the new deal for business. On the positive side, Ivan McKee has made an attempt to address the really terrible planning delays in the construction industry. I would remind you that, in Scotland, major housing developments have a statutory 16-week timeframe for going through the planning process, but things are currently taking 60 weeks. For smaller developments, the level of delay is similar; it is supposed to take only eight weeks to get such developments through the process, and I think that it is currently taking 19. It is a massive pressure for our industry.

Murdo Fraser: I am sorry to interrupt, Paul, but you said that Mr McKee “made an attempt”. Are you actually seeing an improvement in outcomes?

Paul Mitchell: To be fair to the minister, I would point out that the housing hub that he set up only really got off the ground earlier in the year, so perhaps it is still a little bit too early to say. However, an attempt has certainly been made, where previously it had not been. Planning delays should not have been allowed to get to quite the extent that they have got to.

Another example is the postponement of the infrastructure levy that was supposed to be imposed on our industry. That has now been put back, which is positive. I am not sure whether those things are directly linked to or derive from the new deal for business, but they are, I hope, part of the changing atmosphere.

On the other side of the ledger, we participated last year in a consultation on the Scottish building safety levy. This is a £30 million levy that our industry is expected to pay each year, but there was no direct consultation with the trade federation before the consultation document went out and was made public. That was a real disappointment to us. Moreover, the document itself has 28 questions and is nine pages long, and it is not exactly the easiest to complete. It takes a lot of time, and I think that that process could be streamlined. In general, the Scottish Government could be utilising all the existing trade bodies and associations better earlier in the process. If representative bodies can feed in early and consistently throughout the process, that would be a big help.

On your earlier point, Mr Fraser, we as a trade federation have found with the new deal for business a plethora of groups, sub-groups, committees and implementation and review plans. To someone who is a bit of an outsider, it perhaps seems overly complicated. When it comes to the building safety levy, we should be able to just pick up the phone, have a meeting and a discussion and then take things from there. I do understand that when the Government puts these initiatives in

place they always come with a level of bureaucracy, but I think that that is something that we could look at.

Murdo Fraser: Thank you. I saw Leon Thompson nodding along to that.

Leon Thompson: If my members had any high hopes for the new deal for business, they were about its leading to change, different sets of outcomes and other ways of measuring how things were going and progressing. Another priority for my sector is business rate reform; however, although that is critical, it has not been part of the dialogue with the Scottish Government under the new deal, not even through the NDR sub-group. That has been a major disappointment.

On the positive side, ministers have changed their approach to working with hospitality and tourism. I am thinking about the visitor levy legislation—which, just to be clear, is not wanted and is very unwelcome as far as our sector is concerned. However, Mr Arthur engaged very diligently with us, and he was very clear about the challenges that he faced in trying to marry up the arguments from business with the arguments coming from local authorities. That was a positive experience, even though the outcome for our sector was not the one that we actually sought.

It perhaps points a way forward for how ministers and cabinet secretaries, who are actually looking at other areas and portfolios, should be considering their engagement with business. It might be a tangible thing that has come out of the new deal for business conversations that we have had over the past couple of years.

Luke McGarty: It would be helpful to have clarity on where we are going with the regulations on food and drink that are high in fat, sugar and salt, given that the consultation came out a while back. There was also the consultation on alcohol. I have members reaching out and saying, “Can you give us any updates on that? We have to make various decisions about strategy, about what we will do for our business, about investment and whatever.” Those two potential pieces of legislation will impact on, say, how a store will run internally and what will be required investment-wise. We heard about this early in 2024, and we really need more clarity about what is happening with that legislation, because it is creating uncertainty when it comes to investment decisions.

We also called for the small business bonus scheme to remain without conditionality, and we were happy that that remained the case again for another year. It was certainly welcome.

Karen Meechan: Much like everyone else, we, too, were looking towards the new deal for business. As I said at the very beginning, we have,

in various policy areas, relationships with the Scottish Government that we have been utilising over the past 25 years, and certainly for the past three or four years, as we have been looking at the sector and its needs.

It has been great to see the investment being made in our sector by Kate Forbes. The Techscaler programme is great for the start-up community, and we want that ecosystem to grow. However, we are concerned about support for our SMEs, which make up the vast majority of businesses in Scotland. When it comes to the new income tax band, our sector is one of the highest paying; therefore, it will impact on far more of our businesses, which will, in turn, impact on their capabilities and their abilities either to recruit or to grow their business. All of these things have an impact.

As Leon Thompson has said, it would be good to get sight of some of the legislation that is coming down the track way before it does so, so that our members can make some input and also prepare themselves for the outcomes.

Murdo Fraser: Thank you. There is a lot more that I could pursue, convenor, but, given the time, I will leave it at that.

Daniel Johnson: My fellow committee members were giving me grief for asking too many questions previously, so I will put one question to Leon Thompson. To the rest of the panel, I note that one of my takeaways from what Paul Mitchell said is to ask whether we are making it easy. The Government might be talking to you, but does it really understand your members? That is my just my reflection.

Leon, you sit on two really critical groups: on regulatory reform, and on non-domestic rates. First, can you clarify when the regulatory reform group last met? Secondly, our previous panels have asked whether there are clear outcomes, so I would like your reflection on that. Thirdly, on the non-domestic rates group, if it is not discussing the reform of non-domestic rates, what is it discussing, if I may put it like that?

Leon Thompson: I would need to check my diary as to when the last meeting of the regulatory group took place. It has done good work around the BRIA improvements, which our sector will certainly welcome going forward. We have talked about the need for better legislation and for legislation in which there is meaningful input from business.

The work on non-domestic rates has been broken down into a series of sub-groups. The group that I have been involved in has been discussing whether there should be financial charges on businesses that appeal their rateable value. That came as a bit of a surprise for

members of the sub-group, because we thought that we would be talking about reform and moving in a different direction. Instead, we have spent a fair bit of time talking about the introduction of charges for businesses that appeal.

Daniel Johnson: That would make it more difficult to appeal a change of RV.

Leon Thompson: That is right. We are talking about the introduction of relatively small charges; nonetheless, that is another financial burden on businesses if they want to go ahead and appeal. I understand that that will now be subject to public consultation. I suppose that, from the new deal perspective, it was brought to our attention before it went to a public consultation.

Daniel Johnson: I will not ask any more questions, but I should declare an interest as someone who has had to appeal a rateable value decision in the past, so I know how difficult that is. I just want that reflected on the record.

Michelle Thomson: I thank the witnesses for joining us. I want to tease out a slightly different reflection from you as a panel. You are our third panel, and all three have been very different. I am quite struck by your established public affairs work, ScotlandIS, which I have known about for years and years, from the old days.

Some of you have conceded that you joined the new deal for business slightly later. On the culture around which you can influence and shape Government policy through your dealings with civil servants, I am trying to establish the extent to which that feels like it is largely the same old, same old, under a new name. Who is brave enough to offer any reflections on whether that is the case? Karen Meechan is smiling, so you have to start.

Karen Meechan: You are right; we have spent a very long time nurturing those relationships.

To respond to Paul Mitchell's point, the mood music has definitely changed in the Government. We have lots of interactions with ministers, directors general and directors across directorates. We have taken part in a number of round tables over the past couple of years—probably before we were part of the new deal for business group. At round tables, Government has come directly to ScotlandIS to have discussions with industry before it makes some of these decisions, or just to get some insight and a feel for what is going on.

In some cases, it is the same old with a different name, but I feel that, to an extent, the new deal for business has changed and opened up the interaction with Government. Certainly, it has brought a wide array of sector groups together.

That has been great, because it has given us, as an industry, that cross-collaboration opportunity.

11:45

To add to the point made by everyone else, I think that far more could be done to understand the nuances in each of our sectors, because they are hugely different. Certainly, my sector is hugely different from the food and drink sector.

Michelle Thomson: Before everyone else comes in, I go back to the culture point. Do you detect a new sharpness of purpose in the new deal for business? I do not want to put words in your mouth, but that is what I mean about the culture: it has a new name, but it is largely the same activity.

Karen Meechan: That is what we have seen, certainly. To add to Paul Mitchell's point, I am not sure whether it is because of the new deal for business or because there has been change in mood in general, but we have certainly seen a change in Government, and in the culture, in the interactions and engagement with industry, and in understanding where our pain points are and how the Government can provide support. As I said, that carries through from individual directorates to interactions with ministers. They seem to be taking on board our sector's challenges and pain points, especially when it comes to the growth trajectory of the digital tech sector. However, we still face key challenges—

Michelle Thomson: We have covered some of them. I want to hear from the other three witnesses on the specific question about the culture, what you notice is different and my supposition that it is sharper. Paul, do you want to come in?

Paul Mitchell: I do not know whether the culture is sharper. As I said, there has been an improvement, more willingness to listen and an openness that perhaps was not there in the past.

I want to pick up on one aspect of your question that I think is really important. This is not just about the Scottish Government and ministers; it is also about civil servants and other public sector bodies. They can all have quite a big impact on the policy and regulatory framework. To be honest, in my experience, if there is any conflict between the wishes of a public sector body and the requirements of industry, there is only ever going to be one winner—and we have lots of second prizes to pick up in that regard. I do a lot of work on apprenticeships in our sector, and if any of the public sector bodies that are involved in that work do not like something that the industry is asking for, the industry is not going to get it—it is a silver medal, I am afraid.

I thought that that was an important aspect to pick up on.

Leon Thompson: I would say that there has been a change in culture, even among civil servants. On the business side, there has been a real uplift, and more resource has been put into the directorate, which has been helpful and beneficial for business generally, but particularly for hospitality. I think that that has proved to be a useful way of getting further arguments across to and more information in front of ministers. That has been good.

As I said, a lot of the legislation that we are looking at at the moment has been coming for some time, so we probably have not had a new opportunity to influence it. I suspect that that will come later. That may be a good outcome from the new deal for business—there might be dividends that we reap further down the line.

On issues such as the Circular Economy (Scotland) Act 2024 or charging for single-use cups, the Scottish Government might have gone full steam ahead previously, but instead it has paused, taken time to reflect and come forward with robust BRIAs, which has allowed us to continue to have that dialogue. That feels like a positive step—a 20p charge on cups has not been arrived at immediately, and we are actually part of the on-going conversation.

Luke McGarty referenced the restrictions on high fats, salt and sugar, and the alcohol marketing and promotion side of things. Those things seem to have been pushed to one side at the moment. I get a sense that Government, although it would still like to press on with them, is very mindful of the views of the business community and is probably reflecting on the interventions that have been made by business.

Luke McGarty: From my perspective in the public affairs team, there may be a change of tempo. You might get an email and think, “Oh—another reach-out from Government”. That happened with disposable cups or when officials wanted to talk about HFSS products or alcohol restrictions. Having that engagement at official level is good, because you can have a frank conversation with people, and you can work around things.

We recently put together a minimum unit pricing guide for the Scottish Government, and working together was a positive thing. Ultimately, it is good to talk, but the new deal will be judged on the outcomes and what it all means. That is in my opinion, anyway: what are the outcomes and what does it all mean at a practical, day-to-day level for business and how it operates?

Gordon MacDonald: Good morning, panel.

I want to ask about business confidence. As you have already indicated, your sectors are all entirely different, so can you say where business confidence is in your sectors? What are the main issues impacting on business confidence and what can the Government do to try to address them? Who wants to go first?

Leon Thompson: In hospitality, it is to do with many issues that our businesses have been grappling with for a good few years. The cost of doing business is the big headline, within which we obviously have employment costs and energy costs going up. Insurance is a major and increasing cost for our businesses, and inflation is back up to 3 per cent, with food inflation being higher and running at about 3.7 per cent, which is obviously a major issue for our businesses. Interest rates are not coming down fast enough, so businesses with debts are struggling to manage that.

It is also probably worth mentioning employment costs. Obviously, employer national insurance contributions are going up, which will hit our sector pretty hard.

We ran a survey with the British Beer and Pub Association, the British Institute of Innkeeping and Hospitality Ulster, which gave us a real UK-wide reflection of business confidence. In the survey, 70 per cent of businesses said that because of the increase in the employer national insurance contributions they are likely to reduce employment, 60 per cent said they will cancel investment and 29 per cent said that they are likely to reduce trading hours. Also, 25 per cent have no cash reserves, which is up six percentage points since we last surveyed members. That gives a really clear reflection of the state of business confidence at the moment.

We also have on-going workforce concerns. We are very labour intensive, so we need lots of people coming into the sector. We work very closely with the Scottish and UK Governments to find ways to bring more people into the sector, give them great experiences and retain them. That is an on-going job for hospitality.

Our businesses are also very concerned about the cost of living crisis, which customers continue to experience. There is a report out today from the David Hume Institute and the Diffley Partnership, which says that 62 per cent of Scots think that this financial year will be harder than the last, so they will have persistent financial pressure. Two things are coming: our businesses' costs and our consumers' costs. It is very hard to manage the situation.

Gordon MacDonald: You paint a very bleak picture. Is there anything that the Governments can do to address it?

Leon Thompson: We would like the UK Government to postpone the introduction of the increase in employer national insurance contributions. We think that that would give our businesses some breathing space. We would like to see the interest rate, the cost of living for our customers and inflation coming down. Those are key things that would, ultimately, improve the economy and help our businesses.

Our businesses are resilient and will continue to persevere. People will still go out and spend money, but they will probably spend less money and go out less frequently, which will leave a great many businesses in a pretty parlous state.

We have talked about business rates relief. Again, that is good news for businesses that got the 40 per cent relief, but the other 2,600 businesses that are left with nothing do not have that bit of wriggle room this year.

Gordon MacDonald: On that point, Luke McGarty already touched on the importance of the small business bonus scheme. How important is it to the hospitality sector?

Leon Thompson: It is important, but the small business bonus scheme applies very much to microbusinesses. I often think of the small business bonus scheme as being absolutely vital for high street businesses, but businesses that might be in a position to expand and invest more are not getting any support in relation to their business rates. That is stifling their ability to invest, but more important is that our survey results show that there is no confidence to grow among those businesses.

Gordon MacDonald: Paul Mitchell, how is business confidence in construction?

Paul Mitchell: In 2024, construction output in Scotland grew by just 0.5 per cent, which took its worth to about £14 billion for the year. We are getting reports from our members that tender opportunities are beginning to dry up a little, particularly for the latter part of this year. That is a real concern.

One of the best indicators is recruitment to apprenticeships, which is down by varying degrees—between 10 per cent and 20 per cent. We are told that apprenticeships now—

Gordon MacDonald: Is that about the number of posts that are available for people to apply for or is it about lack of interest in applying for the posts?

Paul Mitchell: Employers are reducing the apprenticeship opportunities that are available. I presume that part of the reason for that is that they lack confidence about future workstreams and workloads. There are other issues with qualifications and so on, but it is in part a measure

of confidence. There are difficulties and there is no point in hiding from them.

One of the aims of the new deal for business is to create the best business environment for Scotland. If you were one of my members looking at what is happening at this time you would see, in relation to the Scottish Government, the planning delays that we talked about, which are really harmful, difficulties with national planning framework 4, the introduction of the building safety levy and the reduction in apprenticeships, which we just discussed.

From Westminster there are increasing rates of income tax. I am sure that a common theme among all the witnesses today will be the national insurance increase and the national minimum wage increase, which will hurt apprenticeships in our sector. The Employment Rights Bill is coming, as well, which will cause challenges. There are also the persistently high inflation and interest rates

Looking now at the operating environment for construction, we see that it is not what we would like it to be, which I think is what is leading to the lack of confidence.

On what can be done at Holyrood, there could certainly be a look at whether there could be a delay in or postponement of the building safety levy. This is not the best time to introduce another levy on the construction industry, so that is something that I urge members to look at. Anything more that can be done in respect of planning delays would also be most welcome.

12:00

Karen Meechan: I will start with a bit of better news, just to lighten the mood.

We are in the process, as I said, of analysis of our annual survey, and 61 per cent of our members are optimistic about growth in the year ahead, which is great.

Again, as I mentioned, we do not face some of the challenges that some of the other sectors face. Some of the challenges that they face relate to the economic conditions that Leon Thompson and Paul Mitchell have mentioned, including increased income tax.

The vast majority of the salaries in our sector are higher salaries, which has an impact. The national insurance rise and access to skills are making an impact, so we are looking at how we can retain the students who are coming out of colleges and universities in Scotland and at how we can attract talent from elsewhere.

We previously had the comparison of salaries here being not as high as they are down south, but

the cost of living was far cheaper here, so that balanced things out. We do not have that now, because of the rises in income tax and national insurance. That is a tool that we have not been able to use, which is a challenge.

How do we get students who are coming out of universities to stay and work in Scotland? We know that we also have a challenge around immigration and international students, and how we get them to stay longer. That challenge sits with our SMEs because they are the firms that are looking to recruit them. It is easier for big tech companies, which can do intercompany transfers. That works, but the situation is not the same for our SMEs.

Some challenges that SMEs have are to do with exporting. The vast majority of sales from our SMEs are within Scotland and the wider UK, so we need support to promote Scotland plc on the global stage. What market intelligence does our industry need in order that it can go out to other areas? We have done lots. We have had our cyber sector going to the middle east and some firms have been very successful there—for example, opening businesses in Egypt through the business-of-one approach, but more of that is required. For SMEs, it is not cost effective for them to go on trade missions that they do not know will be beneficial. As we have all said, our SMEs are working within very tight budgets, so they have to be very specific and stringent in respect of what they spend.

Those challenges exist but, even with the challenges, the vast majority of the sector is optimistic. However, the opportunity for better growth is huge if we can fix some of the challenges.

Gordon MacDonald: Luke, are convenience stores optimistic?

Luke McGarty: Business confidence is mixed for convenience stores. This ties in with what has been said before about, for example, the 6.7 per cent national living wage increase, employer national insurance contributions, and the cost of doing business generally from energy costs, the cost of living crisis and regulations. I see this through the lens of small businesses that are not large retail affairs. How can they be helped?

On regulation, we should, whenever possible, talk about education over regulation, where that is feasible. Obviously, it is not feasible in every case, but there should be education over regulation, where that makes sense in relation to the increasing bureaucracy and costs on businesses, because the funds that they have available to them are finite and it is hard for them to pivot and to adjust quickly to such things.

Gordon will know our chief executive, Pete Cheema. He sees what we did through the Covid-19 pandemic as our having been the fourth emergency service, in that we helped people to comply in relation to when they could go out, how far they could travel and so on.

The thing about convenience stores is that they are in every postcode. They are not far from people and they provide key services, and they exist in rural locations. The store might be the last place to bank or the last store in town. If the shop is lost, people do not just lose a place to buy bread and milk: they perhaps also lose the post office, the free-to-use ATM and bill payment services. Some people are not—a bit like me—attuned to using apps for everything, which might put older or vulnerable people in a more difficult position if they do not want to get on a bus to travel to the next town, because they might be a bit unsure of themselves and like using cash, but will now have to try to use a card. There are those sorts of things to consider.

The convenience sector is also tied to the new deal for business and is, more widely, part of 20-minute neighbourhoods and contributes to mental health and wellbeing.

If the retail crime aspect were to be more suitably addressed, retailers would not be in fear for their health, wellbeing and safety. That also haemorrhages money from businesses.

A worker who sees the business losing a lot of money through all the costs that I have just mentioned might start to worry about their job—“Is the retailer going to cut my hours, will he take on more hours and what will happen to me?” There is a ripple effect, and the sector has a key part to play.

Willie Coffey: Good morning, everybody. First, I would like to ask Karen Meechan a question. I do not know whether you heard the previous panel's evidence, but Tony Rodgers told us that Scotland is miles behind in the AI and tech sector—I think that he said that we are miles behind everybody except Germany. I want to give you the chance to share with the committee your perspective on Scotland's capabilities and reputation on AI and tech and so on.

Karen Meechan: I certainly think that we have an opportunity to be a leader in AI and tech, but we must have a plan in place. Actions need to be set out for the industry to back up. As I said, we are doing some of the analysis now. This year, part of our survey looked at who is creating AI, who is utilising AI and where they are on that journey. Not every business requires an AI product or service to be part of their business, and we and the industry are helping businesses to understand that there are security risks in using AI. With AI,

your data needs to be right. It is an expensive tool for a business to use if it is not the right tool for that business. There is a clear difference between the businesses that are creating AI products and services for other organisations to consume and those that are consuming those apps and tools.

We have a great opportunity when it comes to AI. We have the Scottish AI Alliance, we have our data cluster and we have a network of businesses across the tech sector that are working hard to take advantage of all the opportunities that exist. What we need from Government is a plan of action on how we are going to do this. Simply saying that we will be a nation of AI innovation will not get us to that place, and if we do not make progress quickly, we will be consumers of other countries' AI tools and services.

Willie Coffey: Are we miles behind?

Karen Meechan: I do not know that we are miles behind, but we could be faster.

Willie Coffey: I want to ask about support mechanisms and how the new deal for business encourages and promotes such activity. I was struck by something that Claire Mack said earlier. She said that if we wanted to have a clearer structure for business to engage with Government, the new deal model would probably not be the one that she would choose. She prefers and has great experience of direct access to civil servants and ministers. I think that she said that the importance of a strong and purposeful open-door policy is not reflected in the new deal.

If we are to make the new deal an open door to a better relationship, what should that look like, from the point of view of your sectors? We will start with Leon Thompson.

Leon Thompson: I agree with Claire Mack's comments. Direct access to and engagement with ministers and cabinet secretaries has never really been the issue. The bit that has not always been there has been the Government's understanding of the need to act in a way that supports our businesses. What we should be taking from the experience of the past two years and the new deal is the need for all our ministers and cabinet secretaries to be focused on economic growth and to have a clear understanding of how that fits with their portfolio responsibilities, so that everybody is moving in the same direction.

We also need to have greater cross-Government working. There are two elements to that. Teams within the Scottish Government need to be much more aware of what their colleagues are doing and how that might impact on other areas. In addition, we need to keep strengthening the relationship between the UK Government and the Scottish Government because, as has been mentioned, responsibility for the economy and

business does not rest only with Holyrood or only with Westminster. We need to find ways of getting support to our businesses from both our Governments.

Willie Coffey: Does the national strategy for economic transformation get us into that space, or could we do more to—

Leon Thompson: NSET is really interesting. When it came out, our sector was very disappointed, because it does not make much reference to tourism or hospitality. I understand that it is a strategy and that it is about looking at the future, but our businesses are here now. They are always going to be here. We are delivering what economic growth there is. A lot of that is being driven by hospitality, but we are not getting the recognition. I think that there is an underlying sentiment that tourism and hospitality just happen and that we do not need to do too much. That kind of complacency will lead to Scotland being much poorer.

NSET is very laudable, and it is a great direction, but it focuses very much on shiny new things rather than talking about the things that will make a difference to the economy today, tomorrow and in the very near future.

Willie Coffey: I ask Paul Mitchell about the structural support mechanism. If it is not the new deal, what should it be?

Paul Mitchell: I agree with the other comments about an open-door policy. I think that that is achievable in a Scottish context. Specifically in construction, the main channel for engagement should be the Scottish Construction Leadership Forum, which was set up and chaired by the business minister. I repeat what I said earlier about the need to use the existing trade federations and associations that are there. I think that those assets are underutilised at the moment.

If you look at the Scottish Construction Leadership Forum's website, you will see that, of the 27 or 28 different bodies that sit around the forum table, only seven or eight come directly from the industry. The rest are public sector organisations and public sector bodies. There is an opportunity to be more focused on direct engagement with the industry and hearing back from the industry. There should be a balance with the public sector, but such groups should be industry driven.

Willie Coffey: Should the new deal model offer such engagement and act as an interface?

Paul Mitchell: Yes, I think that it should. Those sector groups should be industry driven and should offer an opportunity to speak directly to the minister.

Willie Coffey: I put the same question to Karen Meechan. How do we get the structural interface working better so that it delivers what your sectors need?

Karen Meechan: To follow up on Paul Mitchell's and Leon Thompson's points, I think that the new deal for business is an opportunity to do that. Individually, we all have our own engagement mechanisms. I am very lucky in that anything that has a digital element to it is directed to ScotlandIS by the teams that I work with in Government. We have a group called the Scottish cluster ecosystem alliance. We have pulled together a number of cluster-type organisations to look at how we can work better together, collaborate and support one another's visions for growth for our sector. The new deal for business should have something like that. We are all on that group. There needs to be continual engagement and continual sharing of that information in the wider corridors of Government, because not everyone knows what is happening at one end.

12:15

As I said, I am very lucky in that I get to engage with various policy areas when it comes to digital. That is not the same for my other trade bodies in other sectors. If the new deal for business is going to do that, it needs to be set up to do that, which will involve taking away some of the actions. As I said, I have not been involved in the new deal for business group since the very beginning. It will be interesting to see what falls out of the last two years of engagement with the wider industry groups in Scotland.

Willie Coffey: Luke, what is your perspective on how that relationship can be improved?

Luke McGarty: For me, the word that comes to mind is "engagement". We work on behalf of our organisations. The SGF has meetings with ministers and MSPs, including some who are in this room. We do a lot of outreach and hold meetings. However, my angle is that it would be good to have ministers come out to some of the events that we hold to bring the policies to people at first hand. Instead of policies simply being relayed by me or someone else in the SGF, ministers could be available for discussion, as I suggested at the beginning. That would mean that they would be relatable to the people who were there. Although a lot of work is being done and we have the new deal for business, it would go a long way if someone at ministerial level came along to speak to them about it. It is a question of having a visual presence.

To be fair, there is the retail industry leadership group, and I know that the Minister for Employment and Investment visits different

places, but I am talking about this from an SGF, or convenience store, perspective. If a minister was to come out to an SGF event and was up for a question-and-answer session, that might help to dispel some of the myths or worries that people have. It would provide reassurance and would make people feel that they were being listened to at first hand, instead of being given information by someone like me, acting a conduit. I know that ministers are incredibly busy—they are probably busier than I will ever know, but it would be good if, on occasion, there was such engagement with the convenience sector. That would give people the opportunity to ask lots of questions and to come up with other points for ministers to consider, outwith our officialdom-type engagement.

Willie Coffey: Thank you very much for all that feedback. It is really helpful.

The Convener: Kevin Stewart has the final question.

Kevin Stewart: I will play devil's advocate again, as is often the case. A huge amount of today's conversation has been about whether Government gets business. In the previous session, however, Nathalie Agnew posed the question whether business gets Government. What is your view of the communications and the understanding that you have, not only with Government but with individual politicians such as us?

Karen Meechan: I think that I said earlier that what insights businesses or organisations have and how well versed they are in Government policies and plans for growth and how those impact them will depend on their size. The only focus of smaller businesses and SMEs is keeping the lights on. As a trade body, we share the information that we receive from Government that will impact our members' businesses and our sector but, to address Luke's point, there are very few opportunities for individual businesses to have one-on-one sessions with ministers or policymakers.

Kevin Stewart: Let us look at that example of the one-on-one. Ministers are immensely busy. My experience, having been a minister myself, is that I was always out and about, and you can see quite clearly that ministers are out and about all the time. MSPs are also out and about, however, and we are policymakers. Obviously, we scrutinise Government and we have ins. Do your members take advantage of that to the degree that they should?

Karen Meechan: Absolutely not, and they should. You are absolutely right that there are other routes in to policymakers. Industry, and probably ourselves, to be fair, do not take the

advantage that we should or could of other MSPs. We deal with an array of people within Government directorates and that is who we try to influence, from the top down and the bottom up. We agree that there is far more that business can do and I think that we have all said that the growth of the economy is not just a Scottish Government or a UK Government challenge to fix. We all have an equal role to play. The question is how we do that better together.

Leon Thompson: Many of my members run their own sophisticated public affairs activity, so they have a lot of engagement with politicians over and above anything that I might be organising or assisting them with. Those businesses understand the nuances in the UK—what Westminster does, what Holyrood does and, indeed, what local authorities do. There will be some businesses that are clearly looking solely to me to provide them with that information and the breakdown of which bit of Government they need to be speaking to about particular issues. I guess that that is one of the purposes of having trade associations.

Many of my individual members reach out to their local politicians pretty regularly and I am always happy to help businesses engage with MSPs or Members of Parliament, or with councillors on planning applications and so on. If you take it in its entirety, there is a lot of work going on bringing politicians together with businesses. We have cross-party groups in this Parliament. There is a very good one on beer and pubs, which produced a report in the last few months on the health of the sector. There is also a cross-party group on tourism. Perhaps we could make more of those groups. Certainly, I am always looking to take MSPs and MPs out to businesses in their regions or their constituencies.

Kevin Stewart: I will make no comment on cross-party groups. There are far too many of them in my humble opinion.

Paul Mitchell: I agree with Karen that the SME part of our industry is just focusing on keeping the lights on day to day. Even the larger businesses in construction are unlikely to have public affairs resources in-house, so there is a gap there. They rightly expect the trade federation to represent their interests to politicians. I think that construction does quite well in engaging with individual MSPs, particularly in terms of them putting on a hard hat and hi-vis and going out to see a local site in their constituency. Of course, next week is Scottish apprenticeship week. I am sure that that will be an opportunity for a lot of MSPs to deal directly with contractors in their constituency.

Lastly, Kevin, I mentioned SCLF earlier and I know that you have done a lot of good work, particularly during the Covid period, to help the

construction industry. I wanted to recognise that and show our appreciation for it.

Kevin Stewart: Thank you.

Luke McGarty: I will chime with what was said; many of the businesses in the convenience sector are living day to day, week to week. I will also chime with what Leon said about wider engagement. We have a cross-party group on independent convenience stores and there are a number of MSP colleagues here who I am very grateful to for supporting that group and engaging on the key sectoral issues that we bring to it. Our members discuss and scope out their key concerns with MSPs, who take that back into their own work. The group also allows our colleagues to put questions to each other and to the speakers that we have. For example, our CPG recently had someone from the Bank of England, which was valuable.

We also appreciate the MSP engagement that we have in a wider sense. MSPs come along to and support our events, such as that on retail crime or our annual conference. They provide their expert input and their take on things. That sort of support to help elevate sectoral challenges and concerns is appreciated. As I said, MSPs coming along like that makes people feel that they are being listened to. As a starter for 10, that gains credit with people and gives them more of an optimistic outlook in terms of wanting to engage. Thank you to the MSPs who we have engaged with thus far; we will certainly look to do more of that. We very much value being able to come along because it has given us a chance to put issues in front of you for your consideration today and perhaps engagement in future. Thanks.

Kevin Stewart: I asked the previous panel of witnesses whether they thought that their communication with Government and with politicians was right. We could probably talk all day about that.

I will ask Luke McGarty in particular my basic question—I am sorry I am picking on you. Each and every one of us MSPs around the table represents a constituency or a region, but at the end of the day we are ordinary folk. We go into the convenience store, the pub or the restaurant. We hire a local builder. I cannae say that I have got much information technology work going on, Karen; I would be lying. In certain places that I go to, I get questioned all the time. That is part of the job. That is a good thing. It is nae so great if you are trying to wolf doon the roast beef at that point, but that is the name of the game. In communication with your members, do you say to them, “Take the opportunity to invite somebody along for that 15 to 20 minute chat”?

Luke McGarty: For example, although it is not within the Scottish Parliament's remit, we have a Member of Parliament who will be visiting a convenience store in Livingston on Friday, so a couple of us will go along to that. That provides an opportunity. It would be likewise with an MSP—an opportunity to be there on the ground. I know that that is anecdotal—it is just one particular shop—but it lets people discuss issues with a politician and give them more localised feedback. That is really important and we try to do that whenever we can. I know that MSPs are very busy at times, and retailers can be very busy themselves, but we look to have visits like that because they provide a touch point for retailers and the MSP gets to know just what is happening in the community or in the area where the store or stores are located. That engagement is valuable.

The Convener: Thank you very much for that final question. That brings us to the end of our session. You will be pleased to know, Paul, that on Monday I am going to see some construction apprentices at the college before I head off with my hard hat to a building site. I promise that I will not do any damage. It will be very helpful to meet some of your members. Thank you so much to the panel. That ends our public session.

12:28

Meeting continued in private until 12:41.

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