



A fundamental review of the purpose of an enterprise agency and the success of the recent reforms

By

Economy, Energy and Tourism Committee Of the Scottish Parliament

Evidence from the Scottish Chambers of Commerce

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“Remit

The inquiry will analyse the current structure of, and activities carried out by, Scotland's enterprise network. The Committee will consider whether the transfer of responsibilities that took place in 2007 has brought about the benefits that were anticipated by the Cabinet Secretary for Finance and Sustainable Growth and whether they provide value for the public purse. In light of this analysis, the Committee will explore what, if any, should be the fundamental role of a publicly-funded enterprise network and what alternative models exist.”

Executive Summary

Scottish Chambers of Commerce (SCC) offers a national perspective on the review process from the largest business representative organisation nationally.

In brief SCC:

- Supports the continuance of the Scottish Enterprise network
- Calls for better definition of boundaries between services
- Believes HIE has had a useful role to play which is in some regards different from SE
- Believes there are different priorities for Rural and City Scotland
- Suggests evolution of the agencies might reflect this
- Calls for a renewed understanding for the value of geographically based policy
- Recommends public private partnership as critical to the future of enterprise support
- Argues that funding for enterprise support is critical to recovery and must be maintained
- Recommends the value of partnership delivery of services
- Instances added value from those existing already
- Calls for funding to invest in success
- Expresses concerns about the regeneration agenda
- Believes skills support reorganisation is too early to judge
- Pledges its support to continuing and improving services

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Introduction

The Scottish Chambers of Commerce (SCC) represents over 9,500 businesses of all sizes in all sectors, spread throughout Scotland, which are members of twenty local Chambers of Commerce. Over 170 staff service these members spread through some thirty offices nationally. Between them these businesses employ over half the people who work in the private sector in Scotland.

A number of individual Chambers are contractors for the Business Gateway programme and may have given evidence direct or through other organisations, such as Business Enterprise Scotland, in its role of representing Enterprise Trusts.

SCC welcomes the opportunity to respond to this enquiry. This document encompasses the views of our member Chambers, and is offered with the proviso that there are inevitably local variations to an overall national picture. These have been raised where appropriate and available. In itself this highlights an issue inherent in the Committee's key questions.

Key questions

Scottish Chambers of Commerce answers are given after the key questions as listed by the Committee.

Value of recent reforms

- *What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?*

There is a famous quotation about reorganisation and change which illuminates the long history of the struggle to achieve efficient management:

“We trained hard, but it seemed every time we were beginning to form up into teams, we would be reorganised. I was to learn later in life that we tend to meet any new situation by reorganising, and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralisation.”

From Petronii Arbitri Satyricon AD 66 (Attributed to Gaius Petronus, Roman General)

We believe that the reorganisation has in fact delivered many significant advantages, and that there are positive outcomes. High quality staff throughout the network continue to deliver the best service they can, focused on clients' needs. But there remains an element of continuing change, and we believe this

causes some difficulties over the process and inconsistencies of service across Scotland.

There are also some crucial areas of concern which are available for improvement. Firstly, decision-making has clearly become centralised and remote from the regions. While there are clear advantages in this in respect of cost and efficiency savings, there is a danger that the enterprise network is becoming more remote from business networks and regional economies. The enterprise network needs to re-build and retain these links if it is to maintain the support of the private sector and work in partnership to achieve economic growth.

Secondly there is a clear differential of need between rural and urban economies. The value of smaller businesses may be much greater in a dispersed rural population and we need to address that appropriately to place and circumstance. More worryingly there is no clear distinctive policy for cities in Scotland with their distinctive contribution to the country's wealth creation. It has been suggested a Minister for Cities would spearhead such a recognition, which is beyond the remit of this inquiry, but underlines the need for recognising the importance of investing in success which should be at the heart of our enterprise support policy.

Few people find change an easy process as there are always certain comforts to sticking with 'what we know'. The review process comes at a time when economic uncertainty and pressure on public finances intensifies the pressures on all parties who are attempting to lift Scotland's economy through developing enterprise – and that can be psychological as well as fiscal and resource based. We must ask ourselves; has the reorganisation helped businesses and streamlined the service for business in a confused multi agency environment?

Local authority areas vary in their resources (including skills) for supporting enterprise and the economic climate is different from place to place. There is therefore considerable variation in the experience of how the 2007 changes have affected enterprise support. SCC believes that such local variation is not itself harmful, indeed it is appropriate that there be different responses where different industry sectors are congregated and where the mix of local businesses may vary, e.g. between remoter rural areas and the centre of city regions.

This change in part compensates for SE's loss of local geographical focus. Individual Chambers have complained that, in the straitened time of recession, they missed the previous local emphasis of SE, feeling it had become much more diffused in its regional outlook.

There remains a certain level of manoeuvring between local Business Gateway provision and what remains the provenance of Scottish Enterprise (SE). SCC welcomes the role that SE and SDI play in promoting high growth businesses and international trade. Clearly Business Gateway activities for start-up

businesses do not meet the core targets of SE, which are in areas of high growth aspiration. It is keen that the Business Gateway activities and other support services provided by the SCC network meet seamlessly with direct SE service provision to ensure that the next generation of high growth businesses is being adequately supported, identified at an early stage and assisted to progress through the growth pipeline to account managed services where appropriate.

The evidence is that the process of supporting business start-up has not yet yielded the rates of growth in the Scottish economy to which we aspire. It could be argued that national support to local authorities and other local partners (e.g. Chambers) to expand the range, quality and sustainability of measures provides a basis to encourage new enterprises to start learning greater lessons about the skills and aspirations needed for successful performance.

The bureaucracy and uncertainty of negotiating with SE over who or who will not be account managed and the risk that individual clients will cease to be supported is a clear source of frustration to Business Gateway advisors and stakeholders.

Clients are not always happy with decisions on who is accepted on to the growth pipeline and then on to being account managed or not. That such decisions have to be made is an inevitable part of managing budgets. SCC feels this is an area where greater clarity and consistency must be achieved.

Outlying Chambers in the HIE area have commented on a loss of local focus and clarity.

In many areas there is a feeling that the loss of the LECs has significantly diminished the ability of local players to design and deliver local initiatives and that local business leaders are now much more distant from Scottish Enterprise. There was undoubtedly scope within the previous LEC network to go for a degree of standardisation of products and services to cut down on needless duplication but the complete abolition of the LECs has essentially centralised economic development at the national level.

Reorganisation was partly driven by focusing more on target industries and away from geographies. SCC feels it is appropriate to question whether interventions directed in this way are as easy to measure and convey. So supporting economic growth in, say, Dundee is much more easily accountable than 'supporting the Food & Drinks industry'.

- *Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?*

The change has allowed better combination of local authority resources (e.g. local training or grant provision, loan funds and advice facilities) with Business Gateway service provision. Business Advisors have had more tools at their

disposal in many cases. It has also enabled Chambers of Commerce to develop new products and services alongside the Business Gateway portfolio, especially where gaps in the market have been uncovered. This is an excellent example of added value services to meet the needs of businesses.

The transfer of some economic development powers from the enterprise network to the local authorities has been effectively completed. In the case of the Business Gateway, the Chamber of Commerce network is working in partnership with local authorities and other partners to deliver meaningful and sustainable growth. However, we believe that more investment by the enterprise network and the local authorities in the areas of greatest potential and a track record of producing more start ups, and a higher survival rate of start ups, is overdue.

It has been suggested the Business Gateway has to be considered the basic minimum to tackle the underlying policy issue. It has also been suggested that business start-up support does not bring great additionality. That view depends very much on the locality and the size of businesses which predominate in the local economy. With 98% of Scotland's businesses SME's and 95% with ten or less employees it may be that additionality comes further down the line.

Not all local authorities are equally willing and able in this regard. Some are themselves running the Business Gateway service, others using contractors or a combination of both approaches. A minority of Chambers expressed a view that Local Authorities were ill suited to lead on enterprise, perhaps where the LA in question was less engaged with the business community in delivering Business Gateway programmes. Caithness Chamber of Commerce commented that confused businesses resorted to the North Highland Regeneration Fund, for loans, and to the Chamber to explain the complexities of support, Highland Council being stretched too thinly to assist properly.

Some areas continue to achieve business start-up successes, and the changes have coincided with greater investment in hitherto nascent but important aspects of the economy such as Social Enterprises. Some Chambers have commented they see 'no change'.

This programme has continued whilst other services, such as Scottish Chambers of Commerce's Business Mentoring programme have become more localised and therefore better attuned to local need.

Overall, the concept of outsourcing enterprise service delivery to independent providers via local authorities is a success. It allows complementary skills and capacity in the public and private sectors to be deployed in combination, and reduces duplication and in many cases can add considerable value.

- *What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?*

This is potentially an area for serious concern, principally for those which believe they are entitled to account management but are turned down by SE for this enhanced service. The risk is that by falling below the floor of SE's remit, they get lost floating above the ceiling of the Business Gateway (BG) programme.

In our experience Chambers of Commerce have worked hard to ensure this doesn't happen, including funding such support themselves or from their own or other sources such as European funding, when the client does not fit Business Gateway criteria or current BG contract restrictions for additional funded support.

In the present challenging economic climate it is essential to support businesses to survive, and stay in business. The jobs at stake are of paramount importance. This is best done at Business Gateway level, and a task for which Chambers of Commerce with their local connections are ideally suited. SE should continue to focus on growing winners. Flexibility agreed at BG Board and current BG plus ERDF regional BG applications will make a real difference to assisting businesses which fall between BG current contract restrictions, services and SE account managed services

Businesses which choose to be members of their local Chamber of Commerce and benefit from networking and business development services are far more likely to be in connection with the latest provision and links and therefore to ensure they are supported when and where needed.

It has been suggested that we would be better placed to answer this question if we were reviewing the extensive statistical information available to SE and HIE on programme performance over the last decade, and that there is a risk to being swayed by anecdotal evidence without sight of the statistics.

“Account management is really only a process of selection and signposting to other tools – it's not an economic development approach in its own right. It's useless on its own without the support tools – training support and advice, financial support through loans, equity etc.

“The selection of the fastest growing companies raises an additional question – would the companies have done what they are doing anyway without SE's support. If you choose the fastest growing ones the answer is probably yes – and the evidence does tend to show that. SE seems to be growing in understanding of this issue.” *Stuart Patrick CEO Glasgow Chamber of Commerce*

- *How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?*

Performance of strategic forums is very variable. In some cases they operate almost as closed bodies with little apparent relevance to the local business community demand. In others they are vibrant discussion groups, growing sub-

interest sections to explore and promote sunrise sectors and deal with particular issues of the moment.

There are many instances of cross-organisational co-operation. For example Perth & Kinross Council involved Perthshire Chamber of Commerce as a Board member in two of their Economic Partnership groups in their own review of enterprise development support. One conclusion was that the closure of the local Business Gateway office forced businesses looking for support to travel to Dundee, and that those below the VAT threshold received no face to face support. The Council responded by opening a local Business Advice Centre, restoring local support. Business Gateway now has its own office in Perth and the Chamber cooperates in promoting its services.

Criticism in the reduction of service from the Business Gateway to online support for modest business start-ups was also vocal in the Highlands as not appropriate for the needs of businesses.

It must also be accepted that where different organisations are in competition (to win contract fees or a membership subscription) competition inevitably comes ahead of co-operation. SCC firmly believes that vibrant competition is a symptom of a healthy economy and recovery will be private sector led. However in the challenging circumstances of digging ourselves out of a mountain of public debt and putting the economy back on its feet, government has a key role to play in fostering cross-agency co-operation. SCC endorses the need for the private and public sector to be close partners in meeting these challenges.

Every worker in the private sector and every business need high quality public service provision for social welfare, health and education. By building a better economy business can generate the tax revenue needed to revitalise our position post-recession.

This sits in a context in which business paradigms have been changing over recent decades to a much greater recognition that today's competitor may be tomorrow's effective partner. This is partly in response to the need to compete in global markets.

Some individual Chambers report that SE is a less engaged partner than before the restructuring.

The strategic forum is a national forum and seems largely to involve the national public agencies so does little that we can see to reinforce local-national connections. It would be surprising if there are many local authorities that believe the changes enhanced local-national partnerships.

Having said that – the absence of the LECs does open up more scope for joint working between Chambers and local authorities but with no additional resources that is rather limited to strategic discussion as opposed to project delivery.

- *What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?*

A priority in the Highlands is the need to maintain communities in areas where they are dispersed. Many measures have been enacted to aid this process (e.g. ferry subsidies) as well as the efforts of the enterprise network. There is a strong feeling in Highland and Island Chambers that HIE has been a very important contributor to local economic development for many years.

“Most would recognise that the Highlands and Islands has considerable challenges around culture; communication, geography and logistics.”

Stewart Nicol Chief Executive Inverness Chamber of Commerce

The rolling of Business Gateway into local authorities does in theory assist this process in SE areas. We would maintain that the way in which Chambers of Commerce are embedded into their local communities by their very nature acts as an effective conduit, and therefore SCC remains an important vehicle for delivering such a remit.

The use of hub and spoke tactics where major City Region Chambers support their smaller rural neighbours is an effective tool in this process. National programmes such as Business Mentoring and Scottish Chambers International also enable national services to be delivered through local chambers.

SCC believes the Communities remit of HIE warrants roll out to rest of SE area. It is a leading example of best practice and one which Chambers of Commerce are well placed to supplement or take over.

- *Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?*

Maintained local funds for specific projects have continued. Where strong partnerships exist there is more likelihood of continued high quality outcomes. Thus Capital City Partnership in Edinburgh or projects at Clydebank and Inverclyde have seen a range of stakeholders crossing boundaries to create sustainable initiatives.

Not everyone is equally happy:

“In Lanarkshire we have seen Ravenscraig downgraded to a local regeneration project despite the fact that it had been supported for a number of years by SE who were very active in driving the project forward. The result of SE’s lack of active involvement has resulted in the project stalling and it is only now starting to look as if the local authority may have found a way of driving the project forward.”

Douglas Millar, Chief Executive Lanarkshire Chamber of Commerce

“Maybe on paper but certainly no results of successful partnership. Our local Caithness and North Sutherland Regeneration Partnership has not delivered what it could have with such partners. HIE certainly has not been an effective partner. What is the strategic forum?”

Trudy Morris Chief Executive Caithness Chamber of Commerce

It is clear that as budgets tighten concentration on core services have seen a reduction in regeneration activities and this trend is likely to continue. Edinburgh EDI, Waterfront Edinburgh, PARC Craigmillar would be three examples in the Capital. As a nation we need to be concerned about this. Primary focus must be on generating new successful businesses and growing existing ones. However, lifting the bar for areas with high levels of deprivation cannot be ignored.

Almost all regeneration activity before the change to SE was jointly managed between local authorities and SE. The underlying problem seems to be that the devolution of regeneration to local authorities cannot deliver regeneration objectives when the amount of resource transferred across to the local authorities from SE is as small as it was and so major programmes of land renewal and public realm improvements are now no longer feasible. The damage done affects all levels of community but especially the towns most in need of assistance such as Paisley, and Motherwell.

- *The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?*

This mechanism seems to be weak. Businesses and Chambers report little or no involvement despite an appetite to take a full and active part in shaping the direction of travel as the voice of business. One commentator noted the loss of LECs as a contributor to the irrelevance of the mechanism. It is interesting to note the key part that the Chambers and private sector are taking in the English restructuring arrangements through LEP.

- *What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?*

SCC welcomes the creation of a single entity under an umbrella organisation to enable coherent management of this important portfolio.

We believe the large scale benefits of this approach are yet to be delivered. SCC will deliver the engagement with business and given the opportunity to partner with SDS ensure that the needs of businesses are embedded in the agency approach to growing Scotland's economy efficiently through a skilled workforce.

- *How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?*

Chambers of Commerce are committed to the continued support of member companies. Membership fees alone however would never be adequate to support the level of services which businesses require to start and grow their businesses, meet the skills and export agenda, and establish new markets and services.

The recent streamlining of the management structure and consolidation of fixed running costs for SE & HIE is welcomed where it delivers an enhanced front line service for businesses, and is supported by SCC. SCC believes that through public- private sector partnership increased services can be delivered more effectively and a sustainable business model can be designed.

There therefore there needs to be a funding stream for any safety net which Chambers of Commerce provide, be that directly or indirectly from government, through European funding where appropriate or by commercial service sold direct to companies. SCC would welcome further debate with government over how this might be achieved.

One of the clear messages from member companies is that those who receive effective support from the enterprise development network are enthusiastic supporters. Those who do not are (not surprisingly) critical. SCC endorses the idea that the private sector should take maximum responsibility for its own development. Chambers of Commerce are willing to pick up any reduction in services provided they are properly resourced and delivered in partnership.

Dispersed Chambers in the HIE area are more likely to feel that HIE has such a large area to cover that local issues are sometimes lost in the overall regional picture. They are also conscious that severe budgetary limitations restrict Highland Council's ability to tailor services to local need. One example quoted was from Caithness where the use of relatively low paid consultants meant there was adequate support for start-ups in well understood markets such as (say) the manual trades, but a lack of support for more complex business propositions. Therefore there is concern that any further amalgamation of enterprise support will leave their needs even more remote from national policy.

More fundamental, first principles analysis

- *Could the Scottish Government's economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?*

Anything can be done in a different way. The question is whether the investment in change is affordable and rewarding.

LEPs in England have shown a significant swing to private delivery partners and public- private models are seen as the ideal answer where national agencies monitor and advise on contract awards rather than deliver direct services. Chambers of Commerce are ideally placed to provide such partnership in Scotland.

In many European countries membership of Chambers of Commerce is compulsory as a licence to trade. SCC have no illusion that such a mechanism is imminent or indeed likely in the UK. In sharing with the USA the principle that Chambers are owned and run by their business members Chambers of Commerce make a clear statement that as much as possible businesses should stand on their own feet.

That does not exclude the value of external funding to drive forward national objectives for the economy. Indeed we would argue that in times of need, when the importance of the private sector success in propelling the economy out of recession is paramount, the budgets for doing so should be maintained.

The key issues SCC believes for enabling enterprise growth, alongside an effective development agency, are:

1. An attractive tax regime
2. A welcoming climate for inward investors
3. Willing and able banking partners
4. An investor friendly planning system
5. High quality innovation support (including good University sector)
6. Skilled workforce (good basics from school, sound vocational skills from CFE's and continuing professional development)
7. Reliable and affordable infrastructure for transport, energy and communication, both internally and internationally
8. Clear encouragement for wealth creation through manufacturing, construction, farming and forestry
9. Support for export maximisation and access to global opportunities
10. Identifying and maximising global competitive advantages

SCC believes these are all areas where improvements can be made, and particular attention must be paid and solutions found for those under threat, such as infrastructure development.

- *Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?*

Consolidation and efficiency gains are paramount. Consistent national and regional business start up and growth service is needed to ensure that businesses reach their full potential

The transfer of account managed services to BG, Local authority and private sector should be considered.

If this were achieved it would leave SE free to concentrate on high growth businesses and key sector approach post account managed

The investment in a distinct organisation for dealing with the Highlands and Islands clearly has elements which reflect the particular needs of a dispersed, largely rural community. Additionally we should recognise that there are major players in business in the region, and in many areas the economic profile resembles much of the rest of Scotland.

In reality the main dichotomy is between development in rural areas and what is possible in the urban hubs of the City Regions. This is particularly pertinent to rules for growth companies. A company in a rural area may affect its local economy significantly at a much smaller scale than one in an urban centre. An argument that 'one size fits all' does not work. Chambers with a strong rural focus are quick to point out the importance of SME's to their economy and that a focus on backing winners should not mean excluding small companies from support. Innovative officers within SE have always assisted companies whenever they could, but tightening budgets restrict such sensible management.

The coming importance of the renewable energy sector to the HIE region, and the burgeoning life sciences sector around Inverness show that there is plenty of reason for optimism that the region can lift itself economically.

There are clearly indications that local attention is needed for local needs.

We also need to ask whether the use of sectoral account management specialists to cover the whole country, so that for example a textile specialist in Aberdeen might be supporting a company in the Borders, is an efficient use of resources.

If it is determined that there is a case for change, SCC trusts that all stakeholders would be concerned in finding the best way forwards.

- *What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?*

As above, strategic support and concentration on high growth businesses and key sector approach (post account managed), and inward- outward investment opportunities should be the key targets for the public enterprise network.

Services lower down the pyramid could be best outsourced for direct delivery by the private sector

SCC's view on the main policy levers for a successful private sector have been detailed in the ten numbered points above. It is appropriate that public funding for enterprise support should focus on these.

Generally the national economic development agency model is worth holding on to: particularly in attracting inward investment, equity capital support at smaller (less than £2m) levels, physical development (especially in urban regeneration) and in skills development.

Account management and industry plans are the current approach, and the evidence to back up their impact requires close scrutiny. It is inevitable that there are perceived differences in performance at different times and in different places. Not all people are equally capable, not all businesses are equally resourced. Not all sectors operate in the same climate. To what extent do those differences lie within the economic development agencies? That is not easy to tease out.

Indeed the abandonment of RDAs in England may give Scotland a regional competitive advantage. It remains to be seen how well LEP's pick up the tab.

SCC's general approach, informed by member input, is that enterprise funding is a fundamental tool for the Scottish Government to promote economic growth. The current financial restrictions on the Scottish Government should not result in cuts to this spending which would be detrimental to our chances of recovery. The idea that investing to grow the private sector whilst holding the size of the public sector as a route to correcting the current public sector dominance (54%) of GDP is attractive. This is another argument for maintaining investment in enterprise development.

This will only be possible if budgets are focused on promoting success and not on propping up failure.

However, the principle of the recent reforms has some encouraging features. It makes sense that the activities of SE and HIE should not duplicate the existing efforts of private sector and other organisations, but instead should complement and add to them.

One strategic suggestion has been that we consider a new approach. Clearly we cannot go back to where we started – we need to find a new balance between the role of the national and the role of the local. That can be achieved by reintroducing a geographical responsibility to SE and that we keep HIE perhaps adding Dumfries & Galloway and the Scottish Borders, so that we have essentially a rural economic development agency. SE then takes a city region perspective alongside its industry perspective. Account management is fine but it's the range of tools in place to support it (e.g. equity, management training support, inward investment, export promotion) that really matters and it should be flexible in how it chooses who it helps – additionality must be the watchword – does it genuinely make a difference to the company involved?

SCC does not endorse disposing of SE or narrowing it down even further. It should have a responsibility to help local partnerships in developing geographically focused projects alongside its industry initiatives. It should be under pressure to show the impact of those industry initiatives.

SE, HIE and SDS have clearly shown their support for the Scottish Chambers International initiative which is very welcome. Public-private partners in their day to day work need to be conscious of avoiding duplicating services.

So the idea of the enterprise agencies commissioning outside bodies to deliver services makes sense, and could be extended in areas such as training, business advice, equity finance, grant making and research commercialisation.

- *Do the enterprise agencies' methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?*

There is a risk that public agencies become hide-bound by rules. It is too easy to measure inputs, rather than outputs. Successful outcomes are what we need and SCC welcomed the outcome driven plans of the present Scottish Government.

Impact measurements do look over-optimistic, and should be compared to the opportunity costs of the funds being used by the private sector in a different way.

At the end of the day enterprise is all about risk. This doesn't mean we should burn public funds in a dare devil race to find new markets and products. It does mean that a certain proportion of input will not achieve the desired targets, as happens in any business. However a keen eye for successful trends, products and services and prompt application of people and resources to emerging trends is vital to capture the early ground and establish global leadership.

SCC believes it is difficult to quantify the social impact of much of the regeneration and communities work

We do need to ask which is more important as a measure of success, GVA or employment. Unemployment is in a worse case, progress wise than the UK as a whole currently, whilst GVA is not a great success story.

Conclusion

It is the view of Scottish Chambers of Commerce that many people have been working in many agencies for many years to achieve a new level of economic success for Scotland.

We do not believe we have reached the targets which we would like to see for business birth rate, for GVA and for annual growth rates.

We do believe there has been a sea-change in how Scots view enterprise culture. We would hope that the national agency for economic development would continue to lead that. We do not believe it would be beneficial to subsume that role into government per se.

SE/HIE (or whatever comes next) should be focussed on the national promotion of enterprise at a strategic level, the overall guidance and promotion of exporting and the support and growth of our next generation of major national companies. It should co-operate with the other agencies in delivering the base of the pyramid and whose peak they represent. HIE would continue a particular remit for the

particular needs of the Highlands and Islands, connecting to SE's national and international programmes.

We believe that an economic development strategy for the cities (as core drivers of Scotland's economy) is an essential component of recovery from recession and ought to be at the centre of the output measures for the enterprise network. The Scottish Government is currently consulting on a Rural Strategy, and we have indicated how that might be a natural progression for the evolution of HIE in this context. There is no parallel strategy for city development- and there ought to be.

Chambers of Commerce are unanimous that enterprise development funding should fall no further, to ensure that the private sector can deliver the Government's objective of leading the recovery.

What we must guard against is underestimating the value of our start up businesses, or losing vital performers who are in transition between the base slopes and the summit. Scottish Chambers of Commerce pledges its membership to supporting the evolution towards that ideal.