



NURTURING  
WEALTH  
creation



A REPORT BY THE  
SCOTTISH MANUFACTURING  
STEERING GROUP



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## FOREWORD



### DR CHRIS MASTERS CBE, FRSE

Chair, Scottish Manufacturing Steering Group

In August last year, following some disappointing economic figures, Iain Gray MSP, the Minister for Enterprise, Transport and Lifelong Learning, decided to reconvene the Scottish Manufacturing Steering Group. The Group had last met in 2000 under the chairmanship of the then Minister, Henry McLeish MSP, and produced a comprehensive report *Created in Scotland: The Way Forward for Scottish Manufacturing in the 21st Century*.

The reconvened Steering Group was set three specific tasks:

- to audit *Created in Scotland's* progress;
- to note subsequent policy developments; and
- to identify further actions required to support manufacturing as appropriate, with a particular focus on issues which are within the devolved powers of the Scottish Executive.

The Steering Group was also asked to report as early as possible in 2003.

## “WEALTH CREATION LIES AT THE HEART OF ALL SUCCESSFUL ECONOMIES”

I was delighted to accept the Minister's invitation to chair the Group, not only because I passionately believe that wealth creation lies at the heart of all successful economies and that in the process of wealth creation, manufacturing, in the broadest sense of the word, has an absolutely vital and critical role to play, but also because both the First Minister and Iain Gray had made personal and public commitments to put economic growth at the top of the political agenda.

At our first meeting the Group decided that, rather than attempt to cover the whole waterfront or engage in a detailed strategic debate, we would focus our efforts on trying to identify a limited number of key areas of concern to manufacturers currently operating in Scotland. We also decided, as far as practical, to seek views and input from those actually operating at the “coal face”, rather than simply rely on the experiences and knowledge of Group members.

In the months leading up to Christmas 2002, members of the Group chaired a number of workshops covering a wide range of sub-sectors. In addition, using a simple questionnaire, we sought the views of

manufacturing companies operating in Scotland.

In both the questionnaire and the workshops, we asked people to identify key actions which both the Scottish Executive and the UK Government could undertake to help their particular business. We also asked respondents to identify the key issues businesses themselves should address to improve their effectiveness.

Although individual businesses clearly had different areas of concern, overall there was a remarkable degree of agreement as to the major priority areas which both Government and businesses need to address.

None of the areas are in themselves new. However, throughout manufacturing industry in Scotland there appears to be a low level of knowledge and understanding, or indeed interest, in many of the initiatives instigated by Scottish Executive and a general feeling of “initiative overload”.

Consequently, looking to the future, we have, as a Group, resisted the temptation to come up with yet another raft of new initiatives focused on individual business

sectors, but rather attempted to limit our recommendations to more general areas relevant, hopefully, to the majority of Scottish manufacturing businesses.

We recognise that there are no ‘quick fixes’ to the problems facing manufacturers in Scotland and would therefore encourage Ministers to concentrate on delivering long-term policies, many of which are already in train, which are specifically aimed at nurturing and promoting an environment in Scotland in which wealth creation in all its many facets is both encouraged and valued for the benefit of both the country and its people.

I am very conscious that we have operated to a tight and demanding timescale which has involved extensive external consultation. I would like to pay special tribute to all my colleagues on the Group, not only for their hard work and commitment, but also for their personal support over the last six months.



**Dr Chris Masters CBE, FRSE**

# MANUFACTURING MATTERS TO SCOTLAND

## MANUFACTURING STILL MATTERS

Although over the past 30 years, the manufacturing sector's share of Scottish GDP has fallen, manufacturing still makes up around 20% of Scottish GDP.

In September 2002, 282,000 people were employed in manufacturing representing some 12% of total employee jobs.

In addition, there are significant linkages between manufacturing and the rest of the economy. An estimated 93,000 jobs in non-manufacturing industries are related to the manufacturing sector's purchases.

Manufacturing industry in its totality represents Scotland's major exporter at 60% of the total.

## WHAT IS MANUFACTURING?

A definition of manufacturing was incorporated into *Created in Scotland*, the report of the original Scottish Manufacturing Steering Group. It adopted a wide definition in describing manufacturing as:

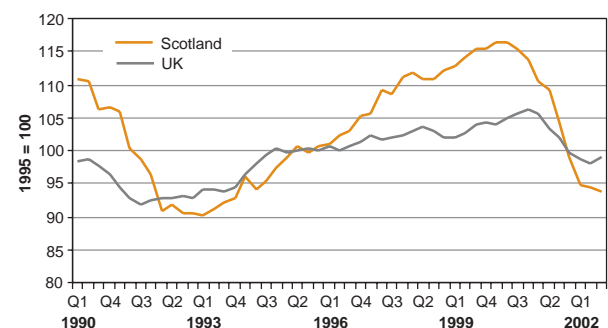
*"...creating and making; the entirety of the process, incorporating research and development, design, supply, production, software, services, distribution, delivery and aftercare."*

This evolving, broader definition of manufacturing focuses on the complete service over the whole product lifecycle.

A narrower definition of manufacturing is more often used for measuring the extent of, and trends in, the sector, which nevertheless still indicate the important contribution manufacturing makes to the economy in terms of output, employment and exports.

## OUTPUT

### Output in Manufacturing – Scotland and UK



Source: Scottish Executive, Index of Production

Overall output in Scotland has grown faster than the UK for the majority of the last 12 years – particularly during the second half of the 1990s when growth was significantly higher.

However, the decline in Scotland since early 2000 has been steep and continuous. Output fell by 12.7% in the year to September 2002.

## EMPLOYMENT

In common with most developed countries, employment in manufacturing has steadily fallen throughout the last 30 years. The manufacturing sector has experienced a downturn over the last two years and employment has fallen by 8% since September 2000.

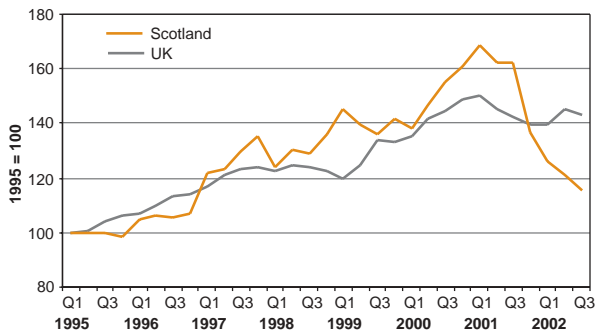
Until early 2000, however, output continued to increase, indicating rising labour productivity in the industry.

The decline in manufacturing jobs and increase in service sector jobs is due, in part, to a trend towards outsourcing of non-manufacturing activities by manufacturing firms. For example, manufacturing plants have tended to outsource IT functions to third parties.

Indirect jobs are those generated by firms which supply goods and services to manufacturing establishments. Final demand for output from the manufacturing sector supports around 375,000 jobs in Scotland.

## EXPORTS

### Manufacturing Exports - Scotland and UK



Source: Scottish Executive & ONS

Manufactured exports amounted to £15.5 billion in the four quarters to 2002 Q3. This was a fall of nearly 20% compared with the previous four quarters (current prices).

The chart above shows quarterly manufactured exports from Scotland from 1995 onwards (data is in seasonally adjusted constant prices). Exports have increased fairly steadily over time, although there has been a dramatic fall in the last two quarters.

## PRODUCTIVITY

Long-term productivity growth in manufacturing has been one of the principal reasons that living standards have risen in most developed economies.

The UK is no exception with, for example, an average increase in labour productivity of 2.3% per annum between 1989 and 1999.

Unfortunately, this growth rate has fallen behind those of our major international competitors such as the US, France and Germany.

The latest data on regional manufacturing productivity shows that Scotland performed well in 1998 with the second highest manufacturing output per employee of the UK regions. Gross value added per employee in Scotland was £40,200 compared to the UK average of £36,500.

However, analysis of manufacturing firms has shown that the most productive firms are around 5.3 times as productive as less productive firms and that this variation in productivity is not explained by different productivity levels in manufacturing sub-sectors. The differentials also persist within individual sub-sectors.

In terms of contribution to the Scottish economy, there is therefore absolutely no doubt that *"manufacturing still matters"*.

This said, the deteriorating position of manufacturing industry in Scotland, particularly over the last two years, is clearly a cause for concern; one that the Scottish Executive, and indeed individual businesses themselves, must address as a matter of both priority and urgency.

## CURRENT POLICY FOR SCOTTISH MANUFACTURING

The Group's remit was as follows:

- to audit *Created in Scotland's* progress;
- to note subsequent policy developments; and
- to identify further actions required to support manufacturing as appropriate, with a particular focus on issues which are within the devolved powers of the Scottish Executive.

### AUDIT OF *CREATED IN SCOTLAND*

*Created in Scotland*, published in March 2000, listed over 50 initiatives to support manufacturing covering the business environment; knowledge and technology; science base and its commercialisation; skills and people; and images and attitudes.

There is evidence to suggest that good progress has already been made on almost all of these initiatives, with some already having been achieved or completed. However, there is no doubt that much remains to be achieved.

Progress is monitored on a quarterly basis by the Scottish Executive and a full current update can be found at:

[www.scotland.gov.uk/createdinscotland](http://www.scotland.gov.uk/createdinscotland)

### RECENT POLICY DEVELOPMENTS

When *Created in Scotland* was published, *The Way Forward: Framework for Economic*

*Development in Scotland* (FEDS) was in the process of being prepared.

FEDS, published in June 2000, aimed "to raise the quality of life for all Scottish people by increasing opportunities for all."

Four outcomes were identified as central to this vision:

- securing economic growth through increasing our international competitiveness;
- regional development;
- social integration; and
- sustainability.

Specific targets were not set out in FEDS; these were to be developed by agencies at an operational level.

FEDS identified priority areas for policy statements, including enterprise, which provided the context for the subsequent publication of *A Smart, Successful Scotland: Ambitions for the Enterprise Networks*.

Published in January 2001, *A Smart, Successful Scotland* outlined the Executive's enterprise strategy, paying particular attention to the role of the Enterprise Networks.

It highlighted priority areas in which Scotland must succeed to achieve sustainable economic growth and grouped them into the following strategic themes:

- *growing businesses* – supporting innovation and entrepreneurship both in new companies and helping existing companies to develop further;

- *global connections* – encouraging Scottish companies to increase their involvement in global markets, and encouraging people to live and work in Scotland; and
- *skills and learning* – helping people into jobs and ensuring that business has access to the skills and expertise it needs.

To take these ambitions to the next level, *Measuring Scotland's progress towards a Smart, Successful Scotland* published in March 2002, set out how progress would be measured.

Specific indicators were derived for each of the priorities in *A Smart, Successful Scotland* designed to focus on outcomes.

## ISSUES ARISING

There does seem to be a range of policy frameworks already in place directed towards promoting the growth of Scotland's economy and promoting skills, creativity and enterprise.

What, however, is clear from the Group's work is that much still remains to be achieved in terms of implementing these policies on the ground and effectively communicating them to the people actually involved in and supporting manufacturing.

It would, therefore, appear that there is a need to concentrate effort not only on implementing the policies which already exist, but also on ensuring that such policies are properly monitored and their effectiveness rigorously evaluated.

## KEY ISSUES: CREATING A COMPETITIVE ENVIRONMENT FOR LONG-TERM WEALTH CREATION

Wealth creation lies at the heart of all successful economies. In the process of wealth creation, business in general and manufacturing in particular have an important and vital role to play.

While it can be argued that Government and politicians play an important role in wealth distribution, it is absolutely vital that they also take the lead in creating the right environment for wealth creation. **Without wealth creation there can be no meaningful wealth distribution.**

In view of the perceived urgency of the situation, the Group focused principally on identifying actions which, in the short to medium term, could represent a positive change for Scottish manufacturers.

However, in doing so, the Group recognised that the real key to sustainable economic success is unlikely to lie in short-term measures, but rather in long-term policies focused on giving the country a sustainable competitive edge on the international scene.

On the basis of the views gathered from a questionnaire survey and workshops, there would appear to be general consensus on the priority areas central to creating a competitive environment for long-term wealth creation:

- The fiscal and regulatory regime
- The physical infrastructure
- The skills base
- The political climate

In all of these areas, Government has an important and **long-term** role to play.

Irrespective of short-term imperatives, in the context of the competitive global economy, the overall objective should be to create a climate which is particularly favourable to business and enterprise in Scotland, i.e. **to create a sustainable national competitive advantage in terms of wealth creation.**

Devolution potentially offers the Scottish Executive the opportunity to achieve this for Scotland.

In terms of Government action, the current and proposed fiscal regime, including business rates, was identified as a major area of concern, together with the inadequate transport infrastructure (both within Scotland and throughout the UK), and the apparently ever-increasing amount of regulation and 'red tape'.

There was also a more general concern that many of our politicians still do not appear to have the economy high among their personal priorities and the feeling that more could be done by the Executive to promote both Scottish manufacturing and indeed Scottish business in general.

As far as action by business is concerned, the major areas of improvement in terms of increasing business effectiveness focused on

the need to improve employee skills at all levels, but specifically those of senior management and of the people tasked with providing leadership. The importance of maintaining an effective and competitive cost base was also seen as a high priority.

In this section we specifically focus on these key policy areas. Subsequent sections cover these broad areas in more detail and also focus on other specific recommendations relating to areas of concern.

## THE FISCAL AND REGULATORY regime

The last few years have seen a significant increase in the current and proposed tax and regulatory burden imposed on business.

The abolition of dividend tax credit for pension funds, in advance of a marked and unexpected fall in equity values, has not only contributed to the virtual disappearance of final salary schemes in the private sector, but also to the requirement of many public and indeed, private companies, to transfer significant sums into their existing pension schemes. This has decreased the sums available for investment in the rest of the business.

The significant increase in National Insurance contributions due in April 2003 will represent a significant tax burden not only on individuals but also on all businesses throughout the UK.

The UK has a higher business tax take as a proportion of GDP than the US, Germany and France. In terms of regulation, many would argue that we lead the field.

Although mainly the responsibility of Westminster, there is little doubt that such changes have had, and will have, a significant impact on Scottish business, particularly on those in the manufacturing sector, many of whose finances are already under significant pressure.

The Scottish Executive should encourage Westminster, as a matter of urgency, to reduce the tax burden to put the UK in an advantageous competitive position relative to its main trading partners.

In terms of creating a competitive fiscal environment in Scotland, one area of particular relevance to business, for which the Scottish Executive has specific responsibility, is business rates.

While, in the short term, the Scottish Executive is urged to bring Scotland into line with the rest of the UK, business rates offer the possibility of creating a distinct competitive advantage for Scotland in the longer term.

The Scottish Executive should, in the longer term, consider creating a distinctive competitive advantage for business and enterprise in Scotland by significantly reducing the business poundage rate.

Similarly, in terms of the regulatory environment,

The Scottish Executive should not add to the regulatory burden unless it can clearly and unambiguously be demonstrated to be in the best interests of the economy and society.

and;

The Scottish Executive should seek to minimise bureaucracy surrounding the implementation of unavoidable regulation.

## THE PHYSICAL INFRASTRUCTURE

Improvements to physical infrastructure and, in particular, transportation take time to implement and deliver.

Decades of under-investment cannot be corrected overnight. However, a modern, reliable and truly-integrated transport system must be planned and developed **now** if it is to be delivered in the foreseeable future.

Transport is a devolved matter and so the Scottish Executive has the opportunity to create a competitive advantage for Scottish business in terms of allowing goods and people to be transported with an ease and efficiency which exceeds expectations and makes Scotland the preferred choice of manufacturers.

The Scottish Executive should create and implement an integrated transport strategy that includes building, as a matter of urgency, fast and reliable road and rail links, not only between the country's major commercial centres, but also between these and the country's major international airports and ports.

Not only is the physical transport infrastructure important, it is increasingly the electronic infrastructure which can give a company, or indeed a country, a competitive edge in today's global economy.

Access to affordable broadband services is a key element. Businesses in Scotland are

currently disadvantaged in this respect compared to those in many other parts of both the UK and continental Europe.

The Scottish Executive and its agencies should further develop partnerships with the private sector to influence, and where necessary invest in, the provision and take-up of broadband services.

## THE SKILLS BASE

Businesses that fail to continually improve the skills of their people at all levels, or which fail to invest in innovation, will find it difficult to compete in the global economy. A commitment to continuous improvement and lifelong learning is essential to give Scottish manufacturers a sustainable competitive advantage.

The general skill level of Scotland's workforce, as judged against international standards, is relatively high. Attracting skilled staff is seen as a low-ranking challenge for manufacturers.

However, there is widespread concern that a significant number, albeit a small minority, of Scotland's youth are still leaving school without adequate literacy and numeracy skills.

Added to which, as a recent report commissioned by the Scottish Executive pointed out "*up to 800,000 Scots of working age have very low literacy and numeracy skills*" and a further 24% of all Scots in employment have no qualifications.

In addition, too many of Scotland's businesses fair badly when compared to international benchmarks in terms of the quality of senior management expertise and overall leadership.

Training is often seen as something more appropriate to the workforce than to management, particularly senior management or indeed the Chief Executive or even Board level. On the assumption that better management leads to better companies which lead to more effective wealth creation:

Scottish manufacturers should increase their commitment to innovation and training at all levels and, in particular, at Board, Chief Executive and senior management level.

While the Scottish Executive has a role to play in encouraging business to invest in their people, ultimate responsibility lies with businesses themselves.

In terms of primary and secondary education, however, responsibility for ensuring adequate standards rests firmly with the Scottish Executive.

There can be no excuse for any of the nation's youth failing to acquire the basic skills required, not only to contribute to the economic health of the country, but also to benefit from the increasing number of opportunities available for lifelong learning, particularly in the tertiary educational sector.

The Scottish Executive should ensure that all residents of Scotland possess adequate literacy and numeracy skills.

## THE POLITICAL CLIMATE

Despite the commitment demonstrated by both the First Minister and the Minister for Enterprise, Transport and Lifelong Learning to economic development, there is still considerable concern throughout manufacturing industry, not only that many of our politicians have little or no apparent knowledge of, or interest in, industry, but also that not enough is being done by the Executive to communicate and promote wealth creation in Scotland.

Communicating the attractions of Scotland, both internally and externally, as the place to do business is important to both present and future employers. So too is increasing awareness of the support available to manufacturers.

The Scottish Executive should prepare and implement a comprehensive communications strategy promoting Scotland as the place to do business.

These recommendations – and others – are explored in more detail in the following sections.

Although this report makes no attempt to set performance indicators for the individual recommendations, it is important that in specific areas of policy, and particularly those relating to the longer term, specific timescales should be established with clearly identified deadlines for implementation.

Therefore we would expect the response of the Scottish Executive and the UK Government to be measurable, with an indication of timescale.

## FINANCIAL support

It is essential that appropriate financial support be provided to facilitate future investment in capital and people and to assist sales to export markets, if Scottish manufacturers are to compete successfully in an increasingly competitive global market.

### REGIONAL SELECTIVE ASSISTANCE (RSA)

Widespread perceptions that the Scottish Executive's main source of financial support, Regional Selective Assistance (RSA), is not meeting manufacturers' needs appear to be misplaced. Investigation demonstrates that, in Assisted Areas, RSA should meet most manufacturers' requirements. Indeed, some 80% of RSA expenditure has historically gone in support of manufacturing projects.

However, the fact that such perceptions persist amongst the manufacturing sector demonstrates that, to date, there has not been adequate communication of this policy.

There is also evidence to suggest that there are material inconsistencies and inadequacies in how the scheme is presented by local enterprise companies (LECs) and a lack of information on other sources of support funding should a company be ineligible for RSA. While we welcome the fact that some progress has been made, there is much to be done to improve communication with manufacturers.

#### RECOMMENDATION 1:

The Scottish Executive should improve communication to manufacturers on the availability of Regional Selective Assistance (RSA) and other sources of investment support funding. This should include training of local enterprise companies' business advisers on RSA.

### OVERSEAS MARKETING

Overseas markets remain enormously important for Scottish manufacturers and support for sustaining and enhancing export sales is necessary.

Market access programmes administered by Scottish Development International (SDI) are difficult to access and the process is not transparent.

It appears that too much emphasis is placed on 'priority' sectors and markets and new exporters. This creates barriers to funding for established exporters and limits the markets that can be visited.

At the UK level, the current ceiling on the number of times a company can receive assistance in any particular overseas market is excessively restrictive.

#### RECOMMENDATION 2:

The Scottish Executive should improve access to support funding to aid export sales promotion and marketing. Consistent criteria to allocate support funding to both new and existing manufacturers for exporting to a wider range of markets is required.

## RECOMMENDATION 3:

The UK Government should review existing regulations regarding Trade Partners UK's Trade Mission and Exhibition Schemes.

## FISCAL regime

Scottish manufacturers' finances are under significant pressure. This partly reflects the difficult economic climate, but policy-driven cost increases, including business tax rises, have also played a key role.

The level of exchange rates has been an additional burden and has resulted in companies facing increased competition on prices in export and home markets.

Sterling appreciated rapidly by about 25% from its 1995 low and has stayed strong ever since. A strong pound is normally associated with the volume of exports falling as well as increased import penetration.

The cumulative tax burden on UK business, aggregated over the eight-year period 1997-98 to 2004-05, has been pushed up by an extra £47 billion as a result of budget measures taken since 1997. This cost increase has serious consequences for the Scottish economy and its population.

Crucially, by inhibiting business investment, the tax burden threatens to hold back the future productivity and competitiveness of Scottish manufacturing. Comparing UK business tax revenues with those of our five most important trading partners, UK taxes on profits were higher in 2000 as a share of national income than in the US, Germany and France.

There should be no further Government-imposed business cost rises of any kind, and therefore no further business tax increases (direct or indirect) of any kind.

Priority should be given to straightforward, across-the-board reductions, not increases, in those taxes which add to the cost base – such as employer National Insurance contributions – alongside specific tax reductions required to address longstanding tax-related problems.

## RECOMMENDATION 4:

The Scottish Executive should encourage Westminster, as a matter of urgency, to reduce the tax burden to put the UK in a competitive position relative to its main trading partners.

## RESEARCH AND DEVELOPMENT

The definition of research and development for tax purposes should be extended to cover innovation in product development.

This is particularly important for smaller businesses that tend to conduct research for commercial use, which does not therefore often qualify under the current definition.

Tax benefits for R&D currently only benefit limited companies (representing 27% of businesses in Scotland). However, DTI statistics show that 60% of commercial innovations come from the SME sector, some of which are unincorporated.

#### RECOMMENDATION 5:

The UK Government should redefine research and development for tax purposes, extend it to cover innovation in product development and to include the unincorporated sector.

### ENVIRONMENTAL TAXES

There is widespread concern regarding the implications for Scottish manufacturing competitiveness of the current level of environmental taxes; any further increase must be avoided.

CBI research published in 2002 showed that environmental taxes account for a higher share of Government revenue than the EU average. The introduction of the climate change levy package has, in its first year, added significant net costs to UK manufacturing. In the UK, business contributes a disproportionately high share of the environmental tax take (just over half, or £13.7 billion).

#### RECOMMENDATION 6:

Any changes by the UK Government to the climate change levy, aggregates levy, landfill tax or other environmental taxes should be preceded by a proper assessment of the impacts of such a move.

### VAT DIFFERENTIALS

The current trial to reduce VAT to 5% in the construction sector in a number of EU countries appears to have had a significant positive impact on the sector while at the same time reducing the incentive to trade in the black economy.

#### RECOMMENDATION 7:

The UK Government should consider adopting and extending the VAT differential pilot to manufacturing.

### SMALL BUSINESS ALLOWANCE

All small businesses should be treated equally and fairly by the tax system.

While measures to reduce the tax burden on small businesses are welcomed, these should also be targeted at the unincorporated sector. The current distortion is unhelpful and could, in the long term, threaten the existence of the self-employed, partnerships and unincorporated small firms.

The introduction of a zero percent starting rate of corporation tax on the first £10,000 of profits means incorporated businesses can enjoy a tax-free allowance of £14,615. Owners can then pay themselves that amount through a mixture of salary and dividends and not pay tax or national insurance contributions.

#### RECOMMENDATION 8:

The UK Government should introduce a new Small Business Allowance of £10,000 for unincorporated businesses to match the benefit to the new zero rate of corporation tax on the first £10,000 profits.

### BUSINESS INSURANCE COSTS

The announcement in the Pre-Budget Report of a review of employers' liability insurance is welcomed. It is hoped that this will lead to a lasting solution to the problem of high, and in some cases prohibitive, insurance costs for business.

However, it should be noted that the UK Government will receive significant windfall revenue in the form of the 5% Insurance Premium Tax (IPT). The Treasury estimates that it raised £1.9 billion from IPT in the last financial year with the same figure predicted for 2002-03. With the unexpected increase in businesses' insurance costs, there will be an equivalent rise in IPT, making the Government's estimate very conservative.

At the very least, this windfall should be returned to the business sector, through a reduction in the rate of the tax as applied to purchases of insurance by business.

## RECOMMENDATION 9:

The UK Government should return the Insurance Premium Tax (IPT) windfall to the business sector. In 2002-03 any IPT take over of the projected £1.9 billion should be returned to business to alleviate the effects of Employers' Liability insurance.

## BUSINESS RATES

Business rates are potentially a significant lever in terms of creating a competitive fiscal environment in Scotland. The current position is of major concern to Scottish manufacturers.

There are differences in emphasis depending on the size of the business and the type of manufacturer. For example:

- Within Scotland's Small and Medium Enterprises (SMEs) business rates are the major concern, with one survey showing over 70% of SMEs in Scotland indicating that business rates are a major concern compared with 30% in UK as a whole.

- For Scotland's capital intensive industries, the problem is exacerbated. Chemical plants, pipelines and other installations assessed on the contractors' principle have business rates harmonised with the UK but suffer the product of a higher poundage, particularly in the light of the commitment to harmonisation.

The Small Business Rate Relief Scheme, to be introduced on 1 April 2003, will allow small businesses to receive relief of up to 50%. This is welcome and goes some way towards addressing specific concerns within the SME sector.

However, the Scottish Executive has complete control over both the level of business rate poundage and the form that this local business tax should take.

While the announcement by the Minister for Finance and Public Services, Andy Kerr MSP, in December 2002 that the business rates poundage for 2003-04 will be frozen is to be welcomed, in this area Scotland still remains at a competitive disadvantage with the rest of the UK and possibly with the country's main competitors overseas.

## RECOMMENDATION 10:

The Scottish Executive should bring the Scottish poundage rate into line with the rest of the UK.

Not only should parity with the rest of the UK be achieved, but there should also be a study to compare the levels of local taxation with our main competitors in Europe and the OECD.

#### RECOMMENDATION 11:

The Scottish Executive should commission a study to compare the levels of local taxation with our main competitors in Europe and, if possible, extend this to the OECD.

In the longer term, business rates offer the possibility of creating a distinct competitive advantage for Scotland.

#### RECOMMENDATION 12:

The Scottish Executive should, in the longer term, consider creating a distinctive competitive advantage for business and enterprise in Scotland by significantly reducing the business poundage rate.

## REGULATIONS AND RED TAPE

Bureaucracy, red tape and legislative burdens are placing onerous and unnecessary constraints on a sector which is already hard-pressed by global market conditions.

### LEGISLATION

Manufacturers from around Scotland have cited a range of legislation which cause them great concern, whether it be in terms of the volume of legislation, frequent new legislation or inconsistency of application of legislation. There seem to be few signs of any “sun-setting” of existing legislation.

The Better Regulation Task Force document, *Principles of Good Regulation*, lists five key principles: transparency, accountability, proportionality, consistency and targeting.

While these principles are strongly supported, there is still considerable concern that the good words expressed in Government documentation are not being translated into best practice on the ground.

Legislation should never be the first option and alternatives to regulation should be fully explored and evaluated prior to any decision being taken on new legislation.

This must be accompanied by the “sun-setting” of old regulations which should be an ongoing process, with Government listing annually the items it has been successful in removing from legislation.

#### RECOMMENDATION 13:

The Scottish Executive should not add to the regulatory burden unless it can clearly and unambiguously be demonstrated to be in the best interests of the economy and society.

### CONSULTATION

Government needs to make strenuous efforts to ensure that there is more open and transparent access during and after any consultation phase to clarify why decisions are made and why alternative or amended proposals are rejected. Regulatory Impact Assessments must also be transparent and meaningful.

#### RECOMMENDATION 14:

The Scottish Executive should ensure that there is open and transparent access during and after any consultation, including meaningful completion of Regulatory Impact Assessments.

## Improving regulation

Government needs to be seen to be making real progress in relation to tackling business concerns regarding the plethora of regulation and legislation experienced in recent years.

There is concern that no one seems to accept responsibility for the legislative burden. Hansard records John Barrett, MP for Edinburgh West, on 10 December 2002 as stating that *“responsibility for red tape and employment and environmental legislation lies with Westminster and the EU, not with the Scottish Executive.”*

This said, Holyrood, Westminster and Brussels are all responsible for the legislative burden. The Scottish Executive and the Scotland Office could do much more to influence output from Westminster and Brussels and help ensure that appropriate checks and balances are in place when considering the implications of any new legislation.

The Scottish Executive should develop a more sympathetic approach to implementation by encouraging best practice and providing appropriate advice, rather than the current perceived bureaucratic approach which is viewed as being unduly heavy-handed and geared toward enforcement at any price.

### RECOMMENDATION 15:

The Scottish Executive should develop an approach to implementing regulation that encourages best practice rather than focuses on enforcement.

Despite the setting up of the Scottish Executive’s Improving Regulation in Scotland (IRIS) unit and the existence of the London-based Cabinet Office Better Regulation Task Force, there is little evidence of any real progress in reducing the regulatory and legislative burdens on business.

### RECOMMENDATION 16:

The Scottish Executive should be assessed in relation to better regulation, including listing annually those regulations that have been successfully “sun-setted”, through the Improving Regulation in Scotland unit (IRIS).

## enforcement

The *Enforcement Concordat* lists the key points of Government policy on principles of good enforcement.

This needs to flow through to a visible improvement in the enforcement climate that currently exists across a wide range of legislation, with positive advisory input to help business with the implementation of regulation.

Communication between legislators and business needs to be improved in order to simplify the bureaucracy and assist in understanding the process. There needs to be a greater simplification of documentation to encourage more positive uptake of Government initiatives.

### RECOMMENDATION 17:

The Scottish Executive should seek to minimise bureaucracy surrounding the implementation of unavoidable regulation.

## PHYSICAL INFRASTRUCTURE

Scotland has traditionally exported around £20 billion of manufactured goods a year. The provision of efficient transport and communications links for goods, people and data is essential to manufacturing in Scotland in the modern knowledge economy.

The importance of such links is highlighted in a number of key documents from the Scottish Executive, for example *Created in Scotland*, *Scotland's Transport: Delivering Improvements* and the *Global Connections Strategy*. However, as yet, the Executive has failed to publish an integrated transport strategy with firm implementation deadlines.

### RECOMMENDATION 18:

The Scottish Executive should create and implement an integrated transport strategy that includes building, as a matter of urgency, fast and reliable road and rail links not only between the country's major commercial centres, but also between these and the country's major international airports and ports.

## INTERNATIONAL CONNECTIONS

International connections for goods and people are essential for an economy with global aspirations. Better direct links for people are critical as international business relationships are deepened. This is not only for overseas sales trips. Visits to Scotland by international partners and customers are increasingly important.

With respect to air services, our international connectivity is principally via Heathrow where demand for slots outstrips supply. There is therefore a need to diversify and, wherever possible, facilitate the direct provision of air services. This would benefit service industries as well as manufacturing firms.

Scotland's largest market for goods is the EU. It is therefore vital that we continue to explore opportunities for further direct services to the continent and to support and develop the existing service between Rosyth and Zeebrugge. This will also have positive knock-on effects for tourism, offer environmental benefits and help reduce congestion on the roads.

There are also opportunities for firms to explore collaborative arrangements to improve the cost and availability of goods transport. There are good examples of loadshare arrangements in the food and drink industry. Further opportunities might exist in both volume goods and specialist, high value goods that have very specific transport requirements, e.g. refrigeration for biotechnology products.

### RECOMMENDATION 19:

The Scottish Executive and its agencies should further develop partnerships with the private and public sector to improve international air and sea connections to and from Scotland.

## FLOW OF PEOPLE AND GOODS WITHIN SCOTLAND

Improving transport flows within Scotland impacts on the productivity of firms operating out of Scotland, the ease of access to ports and other export routes and on the attractiveness of Scotland as a place in which to live and invest. (This includes new investment, maintenance and re-investment in existing production facilities.)

The Scottish Executive's recent report *Scotland's Transport: Delivering Improvements* made clear that the principal priority was focusing on major points of congestion.

While these are primarily in or around urban areas, they also have a significant knock-on impact on manufacturing in rural areas. As these congestion points are the principal constraints in moving goods and people within Scotland, resources should be focussed on investment to ease these bottlenecks as soon as possible.

The easing of road congestion will be achieved through investment on the road infrastructure itself and in improved public transport.

### RECOMMENDATION 20:

The Scottish Executive should invest in improved infrastructure to improve the flow of people and goods within Scotland, with an emphasis on easing major bottlenecks.

## BROADBAND SERVICES

Scotland is currently disadvantaged in the provision of high bandwidth services and ranks 10th out of 12 UK regions in terms of coverage by affordable broadband services.

Distance-related pricing combined with Scotland's geographic isolation from the UK's main Internet gateway in London and our relatively dispersed population create a barrier to market entry and investment resulting in higher end-user prices. This, in turn, can stifle market growth and restrict take-up and provision of telecomms services.

There should be continued dialogue with telecomms providers to influence their broadband investments in favour of Scotland. Where appropriate and feasible, the public sector should also invest to help bring forward improvements in broadband services. This should build on existing initiatives being taken by the private sector, the Executive and the Enterprise Networks, e.g. Project Atlas.

### RECOMMENDATION 21:

The Scottish Executive and its agencies should further develop partnerships with the private sector to influence, and where necessary invest in, the provision and take-up of broadband services.

## Image and communicating policy

The lack of understanding and awareness about manufacturing in Scotland has had a negative impact on both public and private sector support. Similarly, poor industry image has negative impact on the supply of labour to manufacturing.

Manufacturers have indicated that the level of support available through the local enterprise companies (LECs) is inconsistent and appears to depend upon both the sector and the geographic location in which they operate, regardless of whether they are located within an area eligible for Regional Selective Assistance.

The Scottish Executive's manufacturing policies appear to feature more significantly in the work of some LECs more than others.

There should be a more consistent approach to the implementation of manufacturing policy by the Scottish Executive and the Enterprise Network and an improvement in the image of manufacturing, promoting careers in manufacturing to secondary school pupils.

## communicating manufacturing policy

A comprehensive communications strategy should be prepared and implemented by the Scottish Executive to target:

- the media in Scotland (augmenting rather than replacing sector specific work which is currently underway, for example in the electronics sector);
- the range of departments within the Scottish Executive which influence the policy environment impacting on the overall competitiveness of Scottish manufacturing;
- the national enterprise agencies, the network of local economic companies, and other organisations with responsibilities for economic development in Scotland; and
- manufacturing employers and employees and their representative organisations.

The various elements of the marketing and communications strategy associated with the recent changes to RSA may provide a useful model.

### RECOMMENDATION 22:

The Scottish Executive should prepare and implement a comprehensive communications strategy promoting Scotland as the place to do business.

## IMPLEMENTING MANUFACTURING POLICY

The DTI's Manufacturing Advisory Service (MAS) comprises Regional Centres for Manufacturing Excellence (RCMEs); Centres of Expertise in Manufacturing (CEMs); and a Manufacturing Advisory Service website.

The initiative has been developed in partnership with the Regional Development Agencies in England and the Welsh Development Agency in Wales and provides a readily accessible, comprehensive support framework for manufacturers.

A number of organisations in Scotland have registered as Centres of Expertise in Manufacturing, although Regional Centres for Manufacturing Excellence have been established in England and Wales only.

Different initiatives being pursued by the Enterprise Networks in Scotland seek to achieve similar objectives to the Manufacturing Advisory Service, but the approach varies in relation to different manufacturing sectors.

The Manufacturing Advisory Service website includes the following statement:

*"In Scotland, advice and support to manufacturers is provided through 22 Local Enterprise Companies that form part of the Scottish Enterprise Network and Highlands and Islands Enterprise Networks ... All manufacturers in the Highlands and Islands Enterprise area, and larger manufacturers in the Scottish Enterprise area should contact their Local Enterprise Company directly to access services."*

However, as identified earlier, manufacturers report different experiences in securing support in relation to their sectors and geographic locations. Coverage is not comprehensive and manufacturers in certain sectors are likely to find it difficult to source the support they require.

### RECOMMENDATION 23:

The Scottish Executive should review, in the light of the development of the Manufacturing Advisory Service in England and Wales, how best to provide an accessible, comprehensive support framework for manufacturers in Scotland.

## Image

The *Make it in Scotland* programme arose out of the work of the original Scottish Manufacturing Steering Group and seeks to encourage secondary school pupils to consider a range of career opportunities and occupations in manufacturing.

After successful pilot programmes, the initiative will be rolled-out throughout Scotland in 2003 by Careers Scotland.

Given the age range of the target audience for the programme, its overall effectiveness can only be judged in the long term. An ongoing commitment subject to evaluation and review is important.

### RECOMMENDATION 24:

The Scottish Executive should ensure that resources continue to be made available to sustain and monitor the *Make it in Scotland* programme.

### RECOMMENDATION 25:

Scottish manufacturers from a range of sectors are further encouraged to become actively involved in the *Make it in Scotland* programme.

## SKILLS BASE

A commitment to lifelong learning is essential to give Scottish manufacturers a competitive edge through the quality of their people.

The delivery of many of the initiatives in *Created in Scotland*, including the establishment of learndirect scotland and Futureskills Scotland, are welcomed.

This focus towards lifelong learning should continue, but the learning, skills and knowledge must be made more relevant to manufacturers.

## WORKPLACE RELEVANCE

Drawing on the recent work by Futureskills Scotland, *Key Results from the Employers Survey*, it was of particular concern that 37% of manufacturers who do not train quoted “no appropriate training available” as their reason for not doing so. This compared unfavourably with only 11% in all industries. To address this, training opportunities in both technical and trade skills, and in higher and further education, need to be more relevant to encourage take-up.

In this context, where appropriate, academic courses should include proper exposure to the work environment (including on-the-job training) and have practicality built in. In this

context, recommendation 289 of the recently published report of the Scottish Parliament’s Enterprise and Lifelong Learning Committee (ELLC) Report on Lifelong Learning, is strongly endorsed:

*“We recommend that further and higher education institutions should develop more programmes, particularly at HNC, HND and first degree level, which use the workplace as part of the educational experience. In particular, technical/technician level courses based around HNC/D programmes, which link work experience with academic qualifications, should be developed.”*

It is also recognised that business needs to play a key role in the development of skills for different sectors. Sector Skills Councils also have an important part to play in liaising with business, industry and learning providers to ensure that learning opportunities remain relevant for learners and potential employers.

### RECOMMENDATION 26:

The Scottish Executive and its agencies should encourage practicality and relevance in training wherever possible. Sector Skills Councils have a key role in liaising with business, industry and learning providers. The ELL Committee’s recommendation 289 should be adopted to assist this process.

## MODERN APPRENTICESHIPS

The development of Modern Apprenticeships (MAs) as a valuable programme capable of delivering training and industry skills tailored to the needs of manufacturers, and an important mechanism

for tackling skill shortages and staff retention within specific sectors, is to be welcomed.

The occupational SVQ at level 3 currently forms the core of the MA framework.

Whilst acknowledging the need to protect the MA brand, greater flexibility is required, including a framework with progression routes which allow entry at level 2 initially. This would encourage the take up of MAs within the manufacturing sector and better fit employer needs.

It is important to recognise that there can be significant differences in costs associated with the provision of different apprenticeship schemes which need to be adequately reflected in the funding.

Concern is also expressed regarding the apparent disparity between MA funding in comparison with other parts of the UK.

Although it is recognised that Scottish Enterprise is currently reviewing the funding of MA contributions which would include benchmarking with England and Wales, it is important that any disparity in funding contributions should be addressed as a matter of urgency.

## RECOMMENDATION 27:

The Scottish Executive should ensure that the current review of funding for Modern Apprenticeships meets the needs of the manufacturing sector and considers how best to redress any disparity with the rest of the UK.

## RECOMMENDATION 28:

The Scottish Executive should consider greater flexibility to allow access at SVQ level 2 and progression within the Modern Apprenticeship framework.

## RAISING UNDERSTANDING OF QUALIFICATIONS IN SCOTLAND

The Scottish Credit and Qualifications Framework (SCQF) is recognised as being an important aspect of the skills landscape.

SCQF embraces all the main qualifications in Scotland from schools to postgraduate and from work-based to academic. SCQF therefore has considerable potential for improving the effectiveness of skills investment by helping employers and employees:

- plan ongoing training and development by showing clear progression routes and the range of qualifications available;
- avoid costly training mistakes by providing a simple reference to check the level and credit value of a training package and give an overview of how it compares to others in terms of subject content, skills development and transferability; and
- gain credit for in-house training packages.

An aim of the framework in due course is to include all forms of assessed learning in the framework so that all learning can be given a level and a credit rating.

### RECOMMENDATION 29:

The Scottish Executive should raise understanding of all qualifications in Scotland amongst employers and employees, demonstrating how they compare with each other by using the Scottish Credit and Qualifications Framework (SCQF); and should concurrently expedite development of the Framework with particular focus on the manufacturing sector.

### CORE SKILLS

Core skills, including soft skills such as team-working, are essential not only to contribute to the economic health of the country, but also to enable people to benefit from the increasing number of opportunities for lifelong learning being made available, particularly in the tertiary educational sector.

While recent moves to redress low levels of literacy and numeracy are welcomed, there should be no excuse for the primary and secondary education sectors failing to inculcate these basic skills.

Responsibility for ensuring adequate standards within primary and secondary education rests with the Scottish Executive, which must ensure that all residents of Scotland possess adequate literacy and numeracy skills.

### RECOMMENDATION 30:

The Scottish Executive should ensure that all residents of Scotland possess adequate literacy and numeracy skills.

## INCREASING BUSINESS EFFECTIVENESS

Global competitiveness is increasing at an incredible rate as more countries are embracing the free market model and opening up their borders for investments and trading.

For a company to get ahead and stay ahead in today's competitive climate, there are some fundamental business strategies that need to be embraced.

### QUALITY OF MANAGEMENT AND LEADERSHIP

The quality of management is absolutely essential to the creation of better companies, which lead to more effective wealth creation.

In order to remove the dependency culture in an organisation, good quality and talented management is required. There is an urgent need for management to remove inward-looking and negative attitudes. Management should concentrate on devolving and encouraging responsibility within its organisation to empower all levels of staff to achieve greater success.

This type of empowerment can generate huge business benefits, including reducing companies' cost base, encouraging ownership of internal issues and instilling a "can-do" attitude within the organisation.

Lean Management, for example, is a philosophy that creates a more efficient company through the best use of resources

and the elimination of non value-added waste.

The Lean Management Thinking programme, sponsored by Scottish Enterprise Glasgow, and other schemes such as the Scottish Engineering Excellence Network, based on the European Business Excellence model, can support such activity, but require a strong commitment from the top.

The benefits of such a programme are that the company gains feedback from all levels of the organisation to reduce waste and increase efficiency, costs are reduced and everyone is involved, improving the overall culture of the company. This leads to a more competitive company with a more positive and imaginative mindset and a lower cost base.

## INVESTING IN SKILLS AND TRAINING

Training needs to focus on continually improving the skills of the workforce and the management all the way up to the Chief Executive and Board, with an emphasis on performance management, business growth and system improvements.

Training is often seen as more appropriate to the workforce than to the management, particularly members of the Board and Chief Executive.

While the Scottish Executive has a role to play in encouraging businesses to invest in their people, ultimate responsibility lies with the Board members, Chief Executive and senior management of the individual company.

### RECOMMENDATION 31:

Scottish manufacturers should increase their commitment to innovation and training at all levels and, in particular, at Board, Chief Executive and senior management level.

Investors in People (IiP) is a national quality standard which sets a level of good practice for improving an organisation's performance through its people and should be a fundamental building block of any lifelong learning strategy.

Where properly applied, IiP contributes not only to improved earnings, productivity and profitability through workforce development, but also to improved personal development opportunities and helps instil a culture of lifelong learning. There is, however, some concern that IiP is perceived as being more relevant to large organisations than to small businesses.

Scottish Enterprise and Highland and Islands Enterprise, through their networks of local enterprise companies, are responsible for promoting Investors in People (IiP) in Scotland. They should ensure that promotion of the standard is accompanied by greater relevance for smaller firms and for those who have been accredited by IiP for some time.

### RECOMMENDATION 32:

Scottish manufacturers should consider participating in the Investor in People programme, or similar standard, as a mechanism to improving its performance through its people.

Board members, Chief Executives and senior managers must take responsibility for their own lifelong learning and make a commitment to continually improve their knowledge and skills.

Although there are a number of business schools throughout Scotland providing management training, none has an international reputation comparable to such institutes as the London Business School in England, INSEAD in France, IMD in Switzerland or either Harvard or Wharton in the US.

While one can argue whether there is a need to create such a school in Scotland, it is clear that the bulk of Scottish manufacturers are unaware of not only what is available in terms of management development outside Scotland, but also what is currently available here within the country.


#### RECOMMENDATION 33:

The Scottish Executive should facilitate a single source of currently available information on management development both within and outside Scotland and, where appropriate, facilitate and support access.



NURTURING  
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creation

A REPORT BY THE  
SCOTTISH MANUFACTURING  
STEERING GROUP



## ANNEX 1:

### LIST OF RECOMMENDATIONS

#### FINANCIAL SUPPORT

##### RECOMMENDATION 1:

The Scottish Executive should improve communication to manufacturers on the availability of Regional Selective Assistance (RSA) and other sources of investment support funding. This should include training of local enterprise companies' business advisers on RSA.

##### RECOMMENDATION 2:

The Scottish Executive should improve access to support funding to aid export sales promotion and marketing. Consistent criteria to allocate support funding to both new and existing manufacturers for exporting to a wider range of markets is required.

##### RECOMMENDATION 3:

The UK Government should review existing regulations regarding Trade Partners UK's Trade Mission and Exhibition Schemes.

#### FISCAL REGIME

##### RECOMMENDATION 4:

The Scottish Executive should encourage Westminster, as a matter of urgency, to reduce the tax burden to put the UK in a competitive position relative to its main trading partners.

##### RECOMMENDATION 5:

The UK Government should redefine research and development for tax purposes, extend it to cover innovation in product development and to include the unincorporated sector.

##### RECOMMENDATION 6:

Any changes by the UK Government to the climate change levy, aggregates levy, landfill tax or other environmental taxes should be preceded by a proper assessment of the impacts of such a move.

##### RECOMMENDATION 7:

The UK Government should consider adopting and extending the VAT differential pilot to manufacturing.

##### RECOMMENDATION 8:

The UK Government should introduce a new Small Business Allowance of £10,000 for unincorporated businesses to match the benefit to the new zero rate of corporation tax on the first £10,000 profits.

##### RECOMMENDATION 9:

The UK Government should return the Insurance Premium Tax (IPT) windfall to the business sector. In 2002-03 any IPT take over the projected £1.9 billion should be returned to business to alleviate the effects of Employers' Liability insurance.

## RECOMMENDATION 10:

The Scottish Executive should bring the Scottish poundage rate into line with the rest of the UK.

## RECOMMENDATION 11:

The Scottish Executive should commission a study to compare the levels of local taxation with our main competitors in Europe and, if possible, extend this to the OECD.

## RECOMMENDATION 12:

The Scottish Executive should, in the longer term, consider creating a distinctive competitive advantage for business and enterprise in Scotland by significantly reducing the business poundage rate.

## REGULATIONS AND RED TAPE

### RECOMMENDATION 13:

The Scottish Executive should not add to the regulatory burden unless it can clearly and unambiguously be demonstrated to be in the best interests of the economy and society.

### RECOMMENDATION 14:

The Scottish Executive should ensure that there is open and transparent access during and after any consultation, including meaningful completion of Regulatory Impact Assessments.

### RECOMMENDATION 15:

The Scottish Executive should develop an approach to implementing regulation that encourages best practice rather than focuses on enforcement.

## RECOMMENDATION 16:

The Scottish Executive should be assessed in relation to better regulation, including listing annually those regulations that have been successfully “sun-setted”, through the Improving Regulation in Scotland Unit (IRIS).

## RECOMMENDATION 17:

The Scottish Executive should seek to minimise bureaucracy surrounding the implementation of unavoidable regulation.

## PHYSICAL INFRASTRUCTURE

### RECOMMENDATION 18:

The Scottish Executive should create and implement an integrated transport strategy that includes building, as a matter of urgency, fast and reliable road and rail links not only between the country’s major commercial centres, but also between these and the country’s major international airports and ports.

### RECOMMENDATION 19:

The Scottish Executive and its agencies should further develop partnerships with the private and public sector to improve international air and sea connections to and from Scotland.

### RECOMMENDATION 20:

The Scottish Executive should invest in improved infrastructure to improve the flow of people and goods within Scotland, with an emphasis on easing major bottlenecks.

#### RECOMMENDATION 21:

The Scottish Executive and its agencies should further develop partnerships with the private sector to influence, and where necessary invest in, the provision and take-up of broadband services.

### IMAGE AND COMMUNICATING POLICY

#### RECOMMENDATION 22:

The Scottish Executive should prepare and implement a comprehensive communications strategy promoting Scotland as the place to do business.

#### RECOMMENDATION 23:

The Scottish Executive should review, in the light of the development of the Manufacturing Advisory Service in England and Wales, how best to provide an accessible, comprehensive support framework for manufacturers in Scotland.

#### RECOMMENDATION 24:

The Scottish Executive should ensure that resources continue to be made available to sustain and monitor the *Make it in Scotland* programme.

#### RECOMMENDATION 25:

Scottish manufacturers from a range of sectors are further encouraged to become actively involved in the *Make it in Scotland* programme.

### SKILLS BASE

#### RECOMMENDATION 26

The Scottish Executive and its agencies should encourage practicality and relevance in training wherever possible. Sector Skills Councils have a key role in liaising with business, industry and learning providers. The ELL Committee's recommendation 289 should be adopted to assist this process.

#### RECOMMENDATION 27:

The Scottish Executive should ensure that the current review of funding for Modern Apprenticeships meets the needs of the manufacturing sector and considers how best to redress any disparity with the rest of the UK.

#### RECOMMENDATION 28:

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#### RECOMMENDATION 29:

The Scottish Executive should raise understanding of all qualifications in Scotland amongst employers and employees, demonstrating how they compare with each other by using the Scottish Credit and Qualifications Framework (SCQF); and should concurrently expedite development of the Framework with particular focus on the manufacturing sector.

## RECOMMENDATION 30:

The Scottish Executive should ensure that all residents of Scotland possess adequate literacy and numeracy skills.

## INCREASING BUSINESS EFFECTIVENESS

### RECOMMENDATION 31:

Scottish manufacturers should increase their commitment to innovation and training at all levels and, in particular, at Board, Chief Executive and senior management level.

### RECOMMENDATION 32:

Scottish manufacturers should consider participating in the Investor in People programme, or similar standard, as a mechanism to improving its performance through its people.

### RECOMMENDATION 33:

The Scottish Executive should facilitate a single source of currently available information on management development both within and outside Scotland and, where appropriate, facilitate and support access.

## ANNEX 2:

### BACKGROUND TO SCOTTISH MANUFACTURING STEERING GROUP

The original Scottish Manufacturing Steering Group was set up by the then Enterprise and Lifelong Learning Minister, Henry McLeish MSP, in 1999 to advise the Scottish Executive on how best to support Scottish manufacturing. It last met in March 2000 following the launch of its report, *Created in Scotland: The Way Forward for Scottish Manufacturing in the 21st Century*.

The Enterprise, Transport and Lifelong Learning Minister, Iain Gray MSP, announced

his intention to reconvene the Scottish Manufacturing Steering Group on 7 August 2002 to build on *Created in Scotland* to identify any gaps in action supporting manufacturing.

To ensure that the Group felt free to consider radical new ideas and retain a degree of independence from the Executive, the Minister invited Dr Chris Masters to chair the reconvened Group.

The Group met four times between October 2002 and January 2003 and also split into smaller sub-groups; firstly to engage more directly with those involved in manufacturing and at a later stage to consider in more depth the key issues identified by the Group.

### MEMBERSHIP OF THE GROUP IS:

Dr Chris Masters	Chair
Bill Anderson	Forum of Private Business in Scotland
Anneliese Archibald	Sector Skills Alliance Scotland
John Downie	Federation of Small Businesses
Iain Duff	Scottish Council for Development & Industry
Gerard Eadie	CR Smith
Michael Goodwin	IoD Scotland (SELECT)
Bernie Hamilton	Amicus – AEEU
Allan Hogarth	CBI Scotland
Dr Peter Hughes	Scottish Engineering
Bill Lamont	Scottish Chambers of Commerce
Douglas MacDiarmid	Highlands & Islands Enterprise
Jim McColl	Clyde Blowers
Neil Menzies	Chemical Industries Association
Jim Moohan	GMB Scotland
Harry Osborn	Institute of Engineers & Shipbuilders in Scotland
Jane Richardson	Electronics Scotland
Mike Ross	Scottish Financial Enterprise
James Sugden	Scottish Textiles Forum/Johnston's of Elgin
John Wall	Amicus – MSF
Tracey White	STUC
Raymond Wilson	T&G Scotland
Charlie Woods	Scottish Enterprise

## Annex 3:

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The Scottish Parliament

[www.scottish.parliament.uk](http://www.scottish.parliament.uk)

Highlands & Islands Enterprise

[www.hie.co.uk](http://www.hie.co.uk)

Scottish Enterprise

[www.scottish-enterprise.com](http://www.scottish-enterprise.com)

RSA Scotland

[www.rsascotland.gov.uk](http://www.rsascotland.gov.uk)

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Make it in Scotland Programme

[www.makeitinscotland.co.uk](http://www.makeitinscotland.co.uk)

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Manufacturing Advisory Service

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The Better Regulation Task Force

[www.brtf.gov.uk](http://www.brtf.gov.uk)

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