

Jack Perry, Chief Executive, Scottish Enterprise

The Scottish Council for Development and Industry lecture, 2007

Mr Chairman. Thank you for that introduction. That was much better than the last dinner I spoke at. I was on with Fred McCauley and at the start of the night the m.c. said we have a great night for you – we have an entertaining speaker and we have Jack Perry of Scottish Enterprise!

Having looked at the list of previous SCDI annual lecturers I am now even more convinced that this year I stand before you the last in what I believe must be a long and distinguished line of refusals.

It is hard to get good speakers now. I am told that al gore who spoke in Glasgow on Tuesday, needs to be booked a year in advance and commands \$250,000 a go. Jonathan Ross is £100,000 with six months notice. Even Jackie Bird needs three months advanced booking and can command £5000. So I was delighted when Ian called me yesterday to deliver the SCDI. lecture.

I've enjoyed the company at my table. It is great to see the city and shire getting together so constructively. This is not happening everywhere. I met one council leader who described his council as a fine body of men and

women who individually can do nothing but who collectively agree that nothing can be done!

Politics though is a difficult business. Marx described it as the art of looking for trouble, finding it everywhere, misdiagnosing it and applying the wrong remedies. I should add that that was Groucho not Karl Marx.

Look economic development is not funny – and neither are these feeble jokes I hear you say. So let me get on with the lecture.

I often say that I have the best job in Scotland – and I mean it. The politics that Groucho referred to can sometimes detract from that but the job itself is terrific.

I took the job in the first place because I am an optimist for Scotland. I believe we have a wealth of opportunity facing us and are well poised to seize these opportunities if we have the will, the confidence and collective self belief to do so. And I hope during this talk to share with you some good reason for us to be confident.

However, while we have a lot to be positive about you don't need me to tell you we have our share of economic challenges – some of which are profound. And I would also like to address these too.

So tonight I'd like to give you some personal insight into some of the more profound economic issues which I think remain to be tackled as a priority and how Scottish enterprise is responding to address these. I would also like to highlight how these changes at Scottish enterprise can help us seize opportunities right here in the north east.

Firstly, I am not alone in my confidence in Scotland. Recent surveys by the CBI, and the SCDI's own survey of manufacturing exports and just this week by the royal bank, all have shown business confidence and optimism for future orders, exports and investment intentions in Scotland are at their highest level for many years.

On top of that our growth in GDP. per capita over the past six years has been 12.6% compared to the OECD. average of 8.1% - still behind many of our individual major competitors but 50% better than the average and the

consensus forecast is growth of 2.3% this year continuing our growth above its long term trend rate.

The world wide index of total entrepreneurial activity in which Scotland used to languish at the bottom of the table now shows that we are in the second quartile. Not as good as we would like but a big improvement. The culture of entrepreneurship really is changing!

At 75% of our employment rate is better than the rest of the UK and the euro zone. And unemployment is at its lowest since 1992.

And despite our pre-disposition to do ourselves down – it is one of our favourite pastimes – Scotland is a great place to invest. FID magazine, produced by the financial times, has for 2 years in a row pronounced Scotland as European region of the future.

Furthermore, IBM in their review of global research & development investment concluded that the UK remains Europe's most popular destination for r&d projects and that Scotland attracted in 2005 19% of all UK foreign sourced r&d investment.

These are great stories – and I hope you will join me in shouting about them from the rooftops.

There is nothing I would like better than to do myself out of a job. But despite all of these encouraging signs – and there are lots more – we still have a few economic problems.

For example, how can it be that we produce 17% of all university registered patents in the UK (not bad considering we have only 8.5% of the population) yet two of our worst economic indicators are the formation of high growth start ups and our total business expenditure on research and development which runs at less than half the rate of the rest of the UK.

We have been spending 20% more per capita on health and education than the rest of the UK, yet despite being much improved, our growth and productivity lag that of our leading competitors. It seems we have world class public sector supply but it is not always driven by private sector demand.

And this is the reason I believe Scotland needs a strong and effective business demand driven economic development agency.

So in a few brief sentences - what is Scottish enterprise for?

In simple terms we are about stimulating faster and better economic growth in the Scottish economy.

We do this best by working with businesses – they are our focal customer - and businesses that have the potential to make a disproportionate impact on the Scottish economy. We work with them to help them improve their growth and productivity by sharing the risk of their investment.

That investment can be in the skills of their workforce. It can be in new technology, R&D or intellectual property, it can be financial investment through our investment funds. Or it can be our investment in the business infrastructure that makes Scotland a better place to invest.

What we are not about is deficit funding projects which destroy value.

Tonight I would like to share with you how we at Scottish enterprise are changing in pursuit of this agenda and how we intend to make the most of a changing world economy. We believe these changes can generally help make all of Scotland more competitive and specifically that Aberdeen city and

shire can play an increasingly important role as a real driver of wealth creation.

This goes beyond how this area will continue to benefit from our hugely successful oil and gas industry for decades to come but also how we could benefit even more in the long term from Scottish leadership in other energy technologies. We also believe the Grampian region can capitalise on its strength in other high growth industries such as life sciences, tourism and food and drink.

As far as Scottish enterprise is concerned, at the heart of our changes is for us to become more driven by the demands of the industries where Scotland is going to be allowed to make its living in future – and I use the word allowed deliberately. We are a small country in a mercilessly competitive global economy.

We believe that six industries: life sciences, energy, electronic markets, financial services, tourism and food and drink present some of our best bets on where Scotland can demonstrate either world class technology or natural competitive advantage or has existing critical mass and for which there are long term sustainable global markets.

We are working with these industries and our leaders in enabling capabilities like advanced engineering and project management to create genuinely industry-owned and led strategies which place demand on us for the service and support they value most.

In addition, we will be supporting certain other industries which have an important role to play in specific regions of Scotland such as forest industries, textiles and aerospace and construction.

We have chosen the six national priority industries because although they presently account for 20% of the Scottish economy, they have forecast global growth rates of between two to three times the predicted rates of growth for the Scottish economy as a whole.

This is not about picking winners. Governments are notoriously bad at this. It is about investing in sectors where Scotland has strength and not subsidising failure.

We believe that industry strategies genuinely owned and led by industry can also provide real impetus for the alignment of the rest of the public sector with the growth agenda for Scotland.

If, if economic growth really is our number one priority and I for one certainly believe it should be, then industry needs to make clear what it expects not just from Scottish enterprise but also from our schools and universities, transport and water & sewage etc that better alignment is key.

Here in the north-east we are in an excellent position to reap the benefits of better investments to support these high growth industries.

That goes without saying for the energy sector – which accounts for 16% of total employment in Grampian or 40,000 jobs.

But there is also recognised strength here:

In food and drink. Nearly 30% of Scotland's exports in the sector come from this region. The key here is to continually seek to add more value to the excellent primary produce we have here.

Tourism, which supports 20,000 jobs in Grampian already, is forecast to create significant new employment over the next few years.

And life sciences which currently comprises around 1,300 employees in Grampian has huge growth opportunities, building on Aberdeen's world class medical school and the supporting capabilities of both of its universities.

The second major strand of our change at Scottish enterprise is to look at a greater Scotland metropolitan region.

We need to play our part in reducing the fragmentation of our economic development activities and join up the geography of Scotland better.

I have said before we are a small country. This should be an advantage not a handicap. Compare us with say shanghai which is so big no one knows the exact population which is estimated to be somewhere between 15 to 20 million people.

The entire population of Scotland is therefore the margin of error in the census of one major Chinese city!

Cities are the principal drivers of wealth creation but they rely heavily on their surrounding regions for labour supply, complementary business locations, and housing and leisure opportunities.

In turn, our rural areas will flourish if they have easy access to the employment, infrastructure and education and leisure facilities of the city.

Our planning and investment decisions in future will therefore be done at a metropolitan level rather than fragmented across twelve local enterprise company boundaries.

We know that some of the most successful regions of Europe and north America, and even closer to home in greater Manchester, have been following this kind of metropolitan regional strategy with great success and believe me this does not mean just pouring money into the central belt. I said this was about investing in success and Aberdeen city and shire is a great Scottish success story.

For me, the most vivid example of the kind of high value project Scottish enterprise can deliver when we harness our capabilities Scotland wide in a key industry was the creation last year of the translational medicine research institute.

This is a powerful collaboration brokered and seed funded by Scottish enterprise which will help accelerate the process of drug discovery and drug development.

Ultimately this is about the more rapid exploitation of world class Scottish science and getting new cures from the laboratory to the patient faster. The Scottish consortium, led by Scottish enterprise, brings together our four medical universities, four NHS. Trusts in Grampian, Tayside, Lothian and Glasgow and Wyeth pharmaceuticals of the United States to create the world's first translational medicine collaboration of this scale.

In return for £17 million of Scottish enterprise funding over the first five years, much of that in repayable loans, Wyeth will be investing \$58 million with substantial investment by both the universities and the NHS in research time and facilities.

The proceeds of the collaboration will be shared by all the partners.

This is a stunning example of how by harnessing Scotland's capabilities across the entire country and by focusing on those industries where we have competitive advantage, Scottish enterprise creates substantial and lasting value for Scotland.

I said I would come on to further examples of major projects from the north-east.

The team at Scottish enterprise Grampian has in my opinion done a great job in helping to develop projects of metropolitan scale and which support the development of regional infrastructure. These are also good examples of how we share risk with the private sector and our partners in the public sector.

We are working with the city council and private sector developers on a series of projects in Aberdeen to create new business, retail and cultural infrastructure. Our objective is to create a more dynamic city centre that encourages existing business growth, increases visitor spend and attracts and retains talent to the city region.

The projects are expected to lever in an estimated £1 billion of private and other public investment and create or retain around 5,500 jobs.

And I am also excited by our long term plans for the Aberdeen science parks, where we are aiming to create a world class business location for innovation and research to support Aberdeen's emerging energy technology businesses.

Work is already underway to enhance the entrance to the science and energy park at bridge of don and will be substantially complete in time for offshore Europe in September. In fact planned Scottish enterprise and private sector investment of around £20 million over the next 5 years will generate an additional £150 million of gross value added annually to the economy of Aberdeen city and shire – and double the number of jobs on the science parks to more than 3,000.

Therefore, I am particularly pleased to announce this evening that in the late spring work will start on a new £4.5 million energy development centre providing much needed workshop and laboratory space for high growth companies in all energy sectors.

Our ambitions for the park tie in with the energetica concept being developed by the Aberdeen city and shire economic forum to create around the Aberdeen hub what we believe can be the world's leading business region for all energy technologies.

Travelling from Aberdeen north to Peterhead Scotland will have the world's first commercial hydrogen power station, and you will also find the oceanlab at Newburgh. There are also plans for a subsea technology centre of excellence and an energy academy.

We are also working vigorously with partners on a Scottish bid for the new UK energy technology institute. I believe Scotland's credentials in extractive industries, renewables and nuclear technologies are highly compelling and we are determined to win.

I hope this gives you a feel for what metropolitan scale working means in practice. We certainly do not lack ambition for Scotland.

I also hope I have been able to give you just a glimpse of the scale of opportunity ahead of us and why we at Scottish enterprise are changing to make sure we seize those opportunities.

Change though is never easy. There are I regret still quite a few people for whom a change for the better is a contradiction in terms.

I have though been enormously encouraged by the support for change which we have had from the first minister and deputy first minister as well as our customers, our partners and the business community as we continue with implementation of our plans.

So in summary we are starting to make some good inroads against the competitive gaps where Scotland is under performing. We are creating real demand in the system based on what our industries really want and need. And we are now seeing an overwhelmingly encouraging response from our key industries particularly in life sciences and energy but also tourism, financial services and food and drink.

And the strategy is working. We have had a string of recent successes.

Our proof of concept fund has been praised for delivering £125million of value added to the Scottish economy in return for a £28million investment. Our r&d plus programme in return for a £15million investment attracted £120million of

new business research and development projects to Scotland. Projects that would not have happened without our support.

And the launch last week of the £60 million Scottish centre for regenerative medicine has been hailed as a ground breaking investment to ensure Scotland's recognised leadership in stem cell science is translated into commercial success and retained value in Scotland.

And the World Bank, in their survey last year, concluded that over a ten year period, Scottish development international was the most consistently high performing investment promotion agency in the world.

I could go on with more and more examples let me though stop there – as I hope I have given you the clear message.

Scottish enterprise delivers a measurable impact on the Scottish economy. Much remains to be done to deliver the agenda I have outlined tonight but with the support of the business community and our partners – and I very much include the SCDI in this, I am confident we shall succeed.

Thank you