

Strong and sustainable

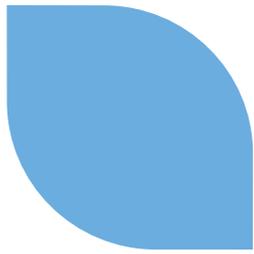


Aberdeen &
Grampian
Chamber of
Commerce

2015 General Election

A plan for the North-east





Foreword



Alec Carstairs
President,
Aberdeen & Grampian
Chamber of Commerce

Members of the Chamber are clear about what they need to achieve their plans for growth.

Our members are ambitious about the future; they want to grow, they want to employ more people and in many cases they want to export. They see opportunities for growth which are being constrained by ineffective policy.

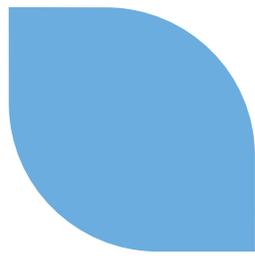
These constraints include the infrastructure in the North-east and connections to the rest of the UK and world, the costs of running a business and ineffective strategic planning from government.

If the growth aspirations of our members are to be realised, businesses need support from government to maximise these opportunities. Government support will result in more tax revenues being generated.

This document sets out what business in the North-east want from the next UK Government. It has a local focus, while also supporting the manifesto produced by our colleagues at British Chambers of Commerce and Scottish Chambers of Commerce.

I hope that parliamentary candidates can use this Business Manifesto as a guide to the priorities of businesses in the North-east at the election on May 7. After the election, we will also hold our elected representatives to account on behalf of the North-east.

Alec Carstairs
President



Introduction



Robert Collier
Chief executive,
Aberdeen & Grampian
Chamber of Commerce

The UK goes to the polls on May 7, 2015 in a General Election.

The global economy remains in an uncertain place, with an uneven recovery continuing but with worsening geopolitical tensions, stagnation and a decline in potential growth in emerging markets.

Unemployment is falling in the UK, inflation declining and there are signs of a consumer slowdown and a weakening outlook for UK exports. The oil and gas price is challenging.

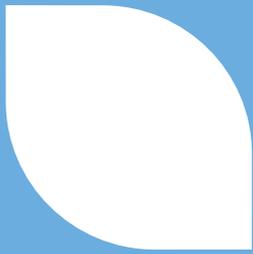
Aberdeen and Grampian is a powerhouse of the UK economy. In 2014 over 64% of our members expected to grow over the next 12 months. However we now enter a period of greater uncertainty with challenges facing the oil and gas sector.

Nevertheless, there is much more that this region can deliver for the nation if the next UK government supports that growth.

The potential of the region needs to be released.

This document sets out the simple, pragmatic and deliverable actions needed for our region to stay at the heart of a prosperous country.

Robert Collier
Chief Executive

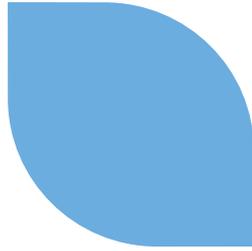


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**UK goes to the polls
on May 7, 2015 in a
General Election**



Members want the next UK Government to...

...reduce unfair costs to business

According to British Chambers of Commerce, the UK has the highest costs put on firms before they make a single sale. This means it is difficult for businesses to grow and expand and increases barriers to entrepreneurialism.

Business rates are an 'input' tax borne by business, irrespective of performance. It is outdated and has been subject to years of tinkering. While business rates are a devolved tax, it is linked to the system in the rest of the UK.

Businesses in Aberdeen and Grampian feel they need a level playing field. Air Passenger Duty (APD) and fuel duty put businesses in this region at a competitive disadvantage, due to simple geography.

Likewise, businesses have also highlighted that securing finance in order to grow is becoming more difficult. Banks aren't always the right sources of finance and more needs to be done to signpost alternatives.



Aberdeen has the second highest level of business start-ups in the UK

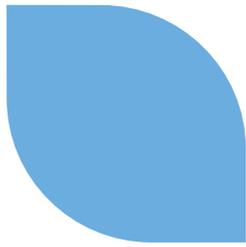
Centre for Cities,
Cities Outlook 2014

UK Chambers want:

Businesses should have a tax system which is transparent, supports business growth and allows businesses to invest and create jobs. This will help the UK create the most competitive and business-friendly operating environment in the G20, supporting greater investment and job creation.

AGCC members want:

- Commitment to a fundamental review of business rates with a road map for change
- A commitment to rethink national policy relating to fuel duty
- Introduction of a long-term Annual Investment Allowance that helps companies to invest in plant, machinery and premises improvements
- Establishment of a British Business Bank which addresses clear market failures, including a commitment to review market restrictions for non-SME finance providers
- APD should be devolved to the Scottish Parliament as soon as possible



Members want the next UK Government to...

...devolve powers appropriately

In 2014, the people of Scotland voted in favour of remaining part of the United Kingdom.

Constitutional change is now inevitable and this must be delivered quickly and consensually to reduce risk and uncertainty for business. However it must be the right type of change, with businesses not put at a disadvantage.

Only 46% of businesses in Aberdeen and Grampian wanted further powers for the Scottish Parliament, compared to 68% across the rest of Scotland.

UK Chambers want:

Politicians must take this opportunity to ensure that the devolved settlement for Scotland is considered and appropriate. It is more important to get it right than to do it quickly or without due consideration. Any changes to the devolved settlement must deliver a benefit to business and our economy.

At a local level we need to ensure that local authorities are accountable for revenue and spending. Our members believe that our growth potential is being limited because of a lack of investment in the North-east. The current approach of local authority funding is unsustainable. This is one part of the Smith Commission's recommendations which is vital but that has attracted little coverage.

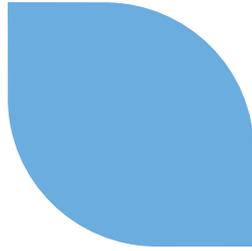
AGCC members want:

- A clear demonstration that the Smith Commission has recommended change based on sound analysis and a clear business case
- Delivery of further devolution for Scotland, in line with the recommendations made by the Smith Commission
- Delivery of more devolution within Scotland, in line with the recommendations made by the Smith Commission
- More collaboration between the UK and Scottish governments



The proportion of residents claiming Job Seekers Allowance is 0.6% in Aberdeenshire and 1% in Aberdeen City

Office of National Statistics,
November 2014



Members want the next UK Government to...

...future-proof UK energy generation



Aberdeen has the highest number of patents granted per head of population

Centre for Cities,
Cities Outlook 2014

The issues of rising energy costs, complicated tariffs and the longer term strategic mix of generation sources are concerns for all, whether in business or as private individuals.

A Utilities Survey conducted by the Chamber found that 28% of businesses felt their growth had been negatively affected by rising energy costs and there was a perception from over a third of businesses that energy costs in the UK were higher than elsewhere.

Over 70% of businesses in the Aberdeen & Grampian region also indicated that they had some form of strategy in place which sought to reduce energy usage. Businesses are doing all they can to address their concerns about energy costs, but the UK Government must provide leadership to assure businesses that the lights won't go out in the future.

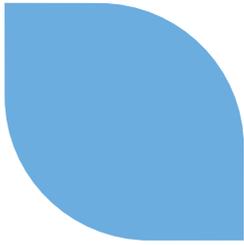
UK Chambers want:

Our members want a diverse energy mix balancing security of supply, cost and environmental considerations. While the Department for Energy and Climate Change is comfortable that our energy security is in hand, businesses are not. Planning for our future energy needs appears to be reactive and short-term which results in increased regulation and policy making; this is not desirable in an already complicated market.

The UK should have in place an energy strategy that reduces energy dependency by maximising all sources available and ensures that energy is used more efficiently.

AGCC members want:

- Development and implementation of a 50-year energy security strategy during the next parliamentary term
- Better communication to business about government support to implement energy efficiency measures
- Support for the delivery of the Carbon Capture and Storage site at Peterhead
- Improved working between the UK Government and Scottish Government on energy supply issues



Members want the next UK Government to...

...help address skills shortages

With amongst the lowest levels of unemployment in the UK, the North-east must attract skilled people to work and grow our businesses.

Business in our region are more likely to employ skilled foreign nationals to fill their skills gaps. Over 54% of local businesses that had recruited foreign staff in the last year had done so due to the lack of suitable UK candidates.

Research conducted by PwC has found that if The region is to remain an oil and gas hub, an additional 120,000 workers will be needed in the region by 2022. It is unlikely that all of these workers will come from within the UK, so the UK Government has a duty to support that growth by allowing firms to recruit foreign nationals.



It is estimated between 10,000 and 40,000 jobs will be created in the North-east by 2025

ACSEF Strategic Outcomes Study, 2014

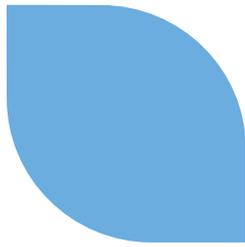
UK Chambers want:

Scotland has skills needs distinct from the rest of the UK. As a nation, we have particular reliance upon a number of key sectors, including oil and gas and financial services. We also have a large, internationally recognised higher education sector that is competing to attract high quality staff and students from across the globe.

Add to this the needs of an economy returning to growth after an extended period of recession and the skills shortages this has created in areas as diverse as digital, the hospitality sector and construction. The result is a compelling need for Scotland to have a more distinct set of powers to target and attract people with the right skillsets to Scotland to complement the development of our indigenous skills.

AGCC members want:

- Reform of the points-based visa system for foreign students and skilled workers
- Devolution to the Scottish Government of powers to allow the introduction of immigration schemes which address Scotland-specific skills shortages



Members want the next UK Government to...

...support exporters



International market growth is seen as critical by 41% of businesses based in Aberdeen and Grampian

North-east Business Week survey 2014

The region's key sectors which are exporting their goods and services internationally are food and drink, the oil and gas supply chain and business services.

Research conducted by the Chamber has found that international market growth is seen as critical by 41% of businesses based in Aberdeen and Grampian. More businesses want to export, but they are telling us that it is difficult for them to do so.

Many of our local companies operating abroad, do so in disciplines related to the oil and gas industry. Countries with developing oil and gas industries are often remote locations with significant barriers to entry such as language, complex regulations and infrastructure. Businesses need practical support to enter these markets.

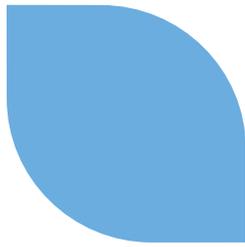
UK Chambers want:

The means, motivation and support to break into new overseas markets, moving the UK closer to producing exports worth £1trillion per annum by 2020

Investment in new products and processes to serve overseas markets

AGCC members want:

- Faster visa processing times so that their partners and investors can visit the UK easily and without lengthy delays
- Introduction of a fast-track passport scheme for British exporters and traders overseas
- Continuation of work to bring UK Export Finance up to par with the world's best export finance agencies
- Encouragement of more collaboration between UKTI and its Scottish equivalent SDI



Members want the next UK Government to...

...invest in our energy future



Aberdeen has experienced a 107% increase in house prices over the last 10 years

Nationwide House Price Survey, April 2014

The future success of the oil and gas industry operating in the UK Continental Shelf will have a major impact on the future spending plans of the UK Government.

The industry, however, is at a critical point. Exploration has more than halved over the last five years. Production is declining by around 5-10% each year. Operating and capital costs are rising and in the last two years, Corporation Tax revenues from the oil and gas industry have declined by 60%.

The oil and gas industry has created a global cluster in and around Aberdeen and that must be protected and nurtured if oil and gas businesses are to continue to operate in the UKCS. However the UKCS is considered to be fiscally unstable, with tax rates regarded as too complex, lacking transparency and burdensome.

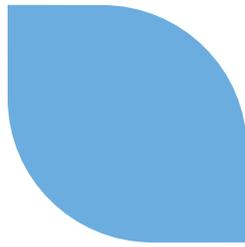
The Wood Review and UK Offshore Oil and Gas Fiscal Review were both welcomed by industry, but it will be up to the next UK Government to fully implement the recommendations coming out of these reviews as quickly as possible. Any delays to this change in operating environment will have serious repercussions on the industry and will, in the long term, reduce the tax receipts to the UK Treasury.

UK Chambers want:

The oil and gas supply chain operating across the whole of the UK and continued activity in the UKCS. This requires a strong regulator, fiscal stability and technological development.

AGCC members want:

- A commitment to implement the promised cut in the headline rate of taxation for oil and gas companies operating in the UKCS within the first year of forming the new government
- Simplification and rationalisation of the system of tax reliefs and allowances in the industry
- The Oil and Gas Authority to be given full autonomy to implement changes to the operating environment, including taking a cross-industry view of the sector by involving the supply chain
- A cross-party agreement to maintain stability in the fiscal regime for an extended period



Members want the next UK Government to...

...improve the region's transport connections



Chamber members identify the region's transport connections as one of the biggest barriers to growth

North-east Business Week survey 2014

Local connections and connectivity to other parts of the UK and worldwide are essential for businesses in Aberdeen and Grampian but Chamber members view transport connections as a major barrier to growth.

Research conducted by the Chamber as part of North-east Business Week 2014 found that the biggest infrastructure issue was the speed of broadband connections. In addition, air links to UK and international destinations were all viewed as having a net negative impact on businesses.

The Chamber accepts the case for High Speed Rail, but as UK tax revenues will pay for the project, all regions across the UK should gain some form of benefit. Aberdeen City Council and Aberdeenshire Council are working to secure a City Deal from the UK Government to fund the critical infrastructure this region needs in order to grow.

UK Chambers want:

The UK should have a top 15 place in the World Economic Forum's Quality of Overall Infrastructure rankings by 2020.

Action on the 650 projects the UK's National Infrastructure Plan identifies which are required by 2030.

AGCC members want:

- Investment and swift delivery of essential infrastructure in Aberdeen & Grampian, by supporting the region's City Deal proposal
- Areas likely to be negatively affected by delivery of High Speed Rail 2 secure benefits from the project and are fairly treated through a compensation scheme which will allow investment in alternative infrastructure (e.g. local rail services)
- Secured access for Aberdeen International Airport into London airports by working with the Civil Aviation Authority to clarify the rules relating to 'customer protection', this should include 'business need' within the definition
- The findings of Sir Howard Davies' Airports Commission, to be accepted and his recommendations accepted without any further delay
- Delivery of initiatives which support the quick roll-out of better broadband

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