

26 June 2008

The Rt Hon Des Browne MP  
Secretary of State for Scotland  
Scotland Office  
Dover House  
Whitehall  
London SW1A 2AU

Thank you for your recent letter updating me on the UK Government's plans for migration as set out in its response to the House of Lords report on the Economic Impact of Immigration.

SCDI welcomes the strong economic case which the Government has made for migration. The evidence presented that immigration has made a positive contribution to trend output growth and to the GDP per capita of people born in the UK accords with the experience of SCDI members in regions such as the Highlands and Islands where migrant workers have clearly added to higher general prosperity. That is why the recent Home Office figures showing that in January to March applications from accession countries' nationals were at their lowest level since 2005, down 13 per cent from the same period in 2007, are so concerning. The latest evidence from the Highlands suggests that there have been even more dramatic falls in the numbers of registrations in the region, caused in part by the higher costs of living, such as travel and fuel, and that this is particularly seriously affecting the vital tourism, catering and hospitality, and agriculture industries.

I note your comments on the subsuming of the Fresh Talent: Working in Scotland Scheme within the new Points Based System (PBS). SCDI members in business and higher and further education will appreciate your own input in ensuring that a Scottish qualifications differential is maintained in the PBS which reflects Scotland's specific economic and demographic challenges.

However, I should draw your attention to concerns among SCDI member companies within the oil and gas industry about the transition from Fresh Talent and operation of the new PBS. The companies believe that the Border and Immigration Agency does not understand the technical skills challenges and requirements in the industry, and there is a danger that, though intended to make the process easier, the PBS will be more bureaucratic and costly.

As you will be aware, the economically and strategically important North Sea oil and gas industry already faces serious skills shortages. It competes for highly-mobile talent in an international labour market. Looking forward, it will increasingly need people with specific technical skills in order to maximise UKCS output. Despite this, SCDI has been made aware of growing difficulties in converting work permits issues under the Fresh Talent scheme to full Work Permits. In members' experience, the criteria seem to have been changed while live applications are being evaluated by the Borders and Immigration Agency and prior to the official introduction of the PBS. They are finding that applications are being refused for staff with equivalent or superior skills to staff accepted in previous years. This is leading to concern about the likely operation of PBS. Companies are also finding an increase in the number of unsuccessful work permit applications under the WP1 (business and commercial scheme), which must be appealed.

Companies in the industry believe that these problems reflect a lack of understanding of the industry from the Borders and Immigration Agency. In their view, it does not appear to appreciate the very specific technical requirements for jobs which may make a particular individual the most or only suitable candidate. The Borders and Immigration Agency would also appear to be attempting to justify some of its decisions on the basis that an individual is not addressing a general UK skills need within the UK economy. However, the companies would point out that they are meeting a skills requirement in a specific company which is helping to meet a general UK economic need for secure energy. Another emerging issue is that when Scottish businesses win overseas contracts there is quite often a contractual obligation to develop the indigenous workforce and this requires secondments to Scotland. If barriers are placed in the way of these well-established and mutually beneficial movements, it will be harder for the Scottish-based supply chain to compete in international markets and help to improve skills in what are often developing countries.

The overall impact is that companies are getting involved in time consuming and costly delays and appeals with the Borders and Immigration Agency to go over why EU candidates are unsuitable. SCDI accepts the need for a system of managed migration which seeks to match the UK skills demands with supply, but, especially where there are specific technical requirements, businesses must be given flexibility to set their recruitment criteria without such burdensome and bureaucratic interference. If not, the result will be that companies are less likely to invest in work permits for Fresh Talent and some will cease doing so altogether, despite their skills needs. These bureaucratic complications are contrary to the Government's stated objectives for the PBS, will undermine the North East's plans to promote itself as a global hub of expertise and risk damaging the Scottish and UK energy sector at an important time for the economy.

SCDI would ask you to take up these issues with Ministerial colleagues in the Home Office and ensure that the Borders and Immigration Agency demonstrates improved understanding of the skills requirements of the Scottish-based oil and gas industry.

We look forward to meeting with you soon to discuss these issues and to providing the opportunity for you to hear directly from our members.

Yours sincerely

Dr Lesley Sawers  
**Chief Executive**