Edward Mountain
Convener
Rural Economy and Connectivity Committee
The Scottish Parliament
Edinburgh
EH99 1SP

22 January 2018

Dear Edward,

Implications of the Outcome of the EU Referendum for Scotland

I and Mr Russell welcomed the opportunity to give evidence at the Committee session on 29 November and believed it to be a most productive meeting.

The session focused on agriculture and fishing matters and in response to your request for a comprehensive written response in respect to the impact on the other areas falling within my remit I have provided details on the current position in the attached annex.

I trust that the Committee will find this information helpful.

Yours sincerely,

FERGUS EWING
Rural Economy and Connectivity Committee – Implications of the EU Referendum for Scotland

Transport

Overview

The EU’s Common Transport Policy has resulted in action in a number of policy areas including: creation of a single market in transport services; promotion of high safety standards, security, passenger and workers’ rights; ensuring transport does not negatively impact on the environment; Trans-European Networks (involving the interconnection and interoperability of national networks as well as access to such networks); and allowing the EU to act collectively at an international level. These are all outcomes that have brought significant economic, social and environmental benefits to Scotland which need to be protected.

The success of the transport sector is intrinsically linked to the success or otherwise of the overall economy. Therefore the immediate impact of Brexit on UK transport companies operating in the aviation, logistics, shipping, rail and bus sectors will be economic uncertainty, particularly until the precise terms are agreed. Moreover, any damage inflicted on the Scottish economy from leaving the European Union is likely to have a knock-on effect on transport operator revenues and the amount of public funding available to invest in transport.

Of particular importance to the transport sector is access to the Single Market and Customs Union. The following areas have been identified where the UK’s withdrawal from the Single Market and Customs Union could negatively impact on the transport sector:

- Physical access to European markets,
- Additional administrative delays at border crossings for people and goods,
- Access to EU workforce for transport operators and infrastructure projects,
- Access to European Investment Bank (EIB) funding,
- Our ability to influence the development of EU regulatory regimes and standards.

Some additional detail on each of these areas has been provided in the sections below.

Physical Access to European markets for transport operators

Membership of the EU has allowed the Scottish transport sector to benefit from the four freedoms of the Single Market; the free movement of goods, services, capital, and people. As well as access to a market of 500 million people it also provides the right of cabotage to transport operators e.g. the ability to fly intra-Europe flights which do not start or end in the UK, or the ability for a road hauliers from one member state to operate in other member states.

In 2015, approximately 234,000 tonnes of goods were exported from Scotland by road haulage to EU countries, with approximately 41% going to France and 21% to the Netherlands as the two predominant destinations. Many of the goods destined for international export are from key growth sectors of the Scottish economy such as food and drink.

Without continued membership of the Single Market it is not clear whether Scottish road haulage companies would still be able to operate without restriction on the continent. EU St Andrew’s House, Regent Road, Edinburgh EH1 3DG

www.gov.scot
hauliers would also stand to lose their cabotage rights within the UK making it more difficult for these hauliers to contribute to the efficient transport of Scottish goods.

Within aviation, the UK, and by extension Scotland, is currently a member of the European Common Aviation Area (ECAA) and European Aviation Safety Agency (EASA). The ECAA is the world’s most liberalised aviation market and has negotiated agreements with 17 non-ECAA countries giving Scottish airlines liberalised access to 44 countries and accounting for 85% of UK’s international air traffic.

This single aviation market has helped to break down restrictive trade and operating barriers, allowing new business models to emerge and revolutionising the way people travel across Europe.

The EU is already the largest international destination for Scottish passengers, of the 12.1 million international air passenger journeys from Scottish airports in 2015, 9.6 million were to other EU countries, with the predominant destinations being Spain, the Netherlands and Ireland. A liberal regime which facilitates more direct links between Scotland and Europe is essential for our tourism sector and important to the tourism economies of other European countries. Continued access to this liberalised regime will therefore be vital to allow Scottish airports to maintain direct flights to European airports and expand Scotland’s route network.

However, the EU Commission has warned flight operators that leaving the EU means that UK air carriers would no longer enjoy traffic rights under any air transport agreement to which the EU is a party. This means that the legal framework for flights to the EU or between its member states under the right of cabotage would disappear. They would also lose their flying rights under agreements the EU has negotiated on behalf of its members with third countries, the most important of which is the EU-US Open Skies Agreement that enables any EU or US airline to fly any transatlantic route.

The lack of a World Trade Organisation (WTO) Agreement for aviation to fall back on heightens the uncertainty for the industry. It is still not clear whether the UK will seek to remain a member of the ECAA post-Brexit, and if not, what alternative arrangements it will seek. The resulting uncertainty is particularly acute for the aviation industry as airline operators would typically look to plan their schedules up to a year in advance.

**Additional administrative delays at border crossings for people and goods**

Goods from outwith the EU Customs Union, once cleared by customs in one Member State, can move freely within the EU on the basis that all Member States apply the same rules at external borders (tariffs, quotas and product regulations and standards). As a result, customs checks are largely absent and there are no customs duties levied on goods travelling within the EU Customs Union.

Any new, additional customs arrangements as a result of leaving the EU would result in significantly longer timescales required at border crossings, adding time on to journey times for people and goods. These delays could disproportionally impact Scottish logistics, freight and shipping services given the peripheral geographical locations of some of these.

For example, the capacity and operations at the port of Dover are crucial for Scotland’s real-time delivery systems. It is estimated that 80% of Scottish seafood exports to Europe are through the distribution centre in Boulogne Sur Mer. Deliveries have to be transported from coastal areas in Scotland to the distribution centre via the Port of Dover in order to arrive on-
time the following day. There is very little capacity for delays in this journey and should the produce arrive late for onward distribution it would lose a great deal of its value.

The Scottish maritime industry would also look to retain access to the Single Market and Customs Union. The removal of customs controls has allowed for significant increases in port capacity as lorries are able to drive straight through to the terminals, rather than having to await permission from customs. Any additional border or clearance procedures for containerised freight as a result of withdrawal from the EU would risks undermining these benefits and could create serious capacity problems in the busiest ports, such as Dover.

In addition, if some form of customs controls were to be reintroduced transport operators with no experience of EU customs declarations for the past 24 years would likely need time to familiarise themselves with any new processes.

Access to EU workforce for transport operators and infrastructure projects

As with other sectors of the economy, transport benefits from access to EU labour and the free movement of people through membership of the Single Market. This is of particular importance to the road haulage and bus sectors which have a reliance on drivers from EU countries and are already facing driver shortages.

In 2015 the Freight Transport Association (FTA) and Road Haulage Association (RHA) estimated that there was a shortage of 43,000 to 45,000 drivers respectively (UK figures). If leaving the EU ends the freedom of movement for people this will likely get significantly worse, with haulage operators finding it more difficult to recruit EU drivers to address shortages.

The construction industry supply chain is also dependent on the freedom of movement for the supply of workforce. Continued access to the EU workforce is likely to be necessary in order to have sufficient skilled workers within the construction industry to deliver major transport infrastructure projects.

On the Forth Replacement Crossing there were workers from 32 different countries, although 84% of the directly employed workforce had homes in Scotland. A particular area for which it proved difficult to get UK workers was welding – where the Contractor, FCBC, sourced mainly from Eastern European countries – Slovakia, Slovenia and Czech republic. Portuguese workers were also used for most of the concrete in-situ works on the south approach viaduct after launching.

Around 39% of the workforce employed as part of the M8 M73 M74 Motorway Improvements Project were non-British EU nationals. There were 413 non-British EU nationals out of 1,051 employees working on the project (based on a snapshot in time during August 2016 which is believed to be a reasonably accurate representation of the situation during the project).

This dependency is likely to continue as we look to deliver future major transport infrastructure projects like the ambitious A9 and A96 Dualling Programmes.

Access to European Investment Bank (EIB) funding

Since the UK became a shareholder in 1973, the European Investment Bank (EIB) has heavily invested in the UK in a variety of sectors including transport infrastructure.
It will be for the UK Government to negotiate any future relationship with the EIB after withdrawal and unless an agreement is reached there will be no further access to EIB funding for the UK. This is a significant concern in view of the importance of EIB lending to projects in Scotland. Without access to this funding finance is likely still to be available, via other banks, but at a higher cost.

In Scotland the EIB is providing Senior Debt Funding for a number of major transport infrastructure projects including major loans for the M8 M73 M74 Motorway Improvements project and the Aberdeen Western Peripheral Route.

**Our ability to influence the development of EU regulatory regimes and standards**

Regulation is necessary to protect our people, our environment, and to help businesses flourish. The protections provided through regulations should not be eroded. EU consumer protection legislation guarantees consumers fair treatment, products which meet acceptable safety and quality standards, and rights of redress if something goes wrong.

European technical and regulatory standards apply across all transport modes including vehicle standards for motor vehicles, safety standards for aviation, maritime regulations and Technical Standards of Interoperability (TSIs) for rail.

To continue operating services to other EU countries following withdrawal, Scotland would likely need to continue to align with these technical and regulatory standards.

Beyond continued operation of services there are other reasons why Scotland may wish to continue aligning with European standards following withdrawal from the EU. For example, we might wish to continue applying TSIs relating to rolling stock in rail due to the nature of the supply chain. It would be very difficult to source a rolling stock manufacturer who produced anything other than TSI compliant rolling stock.

Another example is the work on Building Scotland’s Low Emission Zones, where there is a need to work with Europe on alignment of enforcement standards, and a common database of vehicles.

Therefore the main issue will be how the UK, and by extension Scotland, can continue to influence the development of these standards. With a need to negotiate continued involvement in bodies such as the European Railways Agency, European Air Safety Agency (EASA) and European Maritime Safety Agency.

**Digital Connectivity**

As the Committee is aware, digital connectivity is a reserved matter. At this stage, there are a number of issues where there is a lack of clarity from the UK Government of the impact of leaving the EU.

There is uncertainty on what extent, if at all, the post-Brexit regulatory framework for telecoms might differ from the European Framework which sets the parameters of the way Ofcom regulates – and how this may impact future UK Government telecoms policy. Broadly, we believe that the telecoms industry seeks certainty/predictability on this to – amongst other things – inform investment decisions. The Scottish Government would also welcome clarity as any changes may impact how we develop programmes in the future to meet our own targets on digital connectivity.
There have also been no assurances from the UK Government on whether UK consumers will continue to avoid mobile roaming charges post-Brexit. The abolition of roaming charges in 2017 is one of many benefits arising from the Digital Single Market and it is vitally important that Scottish consumers continue to benefit from this post-Brexit.

**Forestry**

**Overview**

Whilst the EU has no legislative competence in forestry, it does have a Forest Strategy and Action Plan. Numerous cross-cutting EU Directives and Regulations, such as climate change, bioenergy sustainability criteria; Habitats Directive; Wild Birds Directive, impact directly on Scottish forestry and require sector compliance. As with other land use sectors, the forest industry has to comply with EU legislation such as pollution control, quality standards and employment rules.

**Impacts of the UK’s withdrawal from the EU**

The UK’s withdrawal from the EU is expected to have impacts on five main facets of the forestry sector:-

1. Grant support funded from the EU;
2. Tree Health (incl. plant/plant products exported to/imported from the EU);
3. Access to labour (especially seasonal migrant labour);
4. Trade (specifically timber); and
5. [Environment (including protection of Habitats and Species - note that this is covered by the Environment Working Group).]

To ensure that Scottish interests are fully represented actions are being taken forward in all of these areas.

**Forestry Working Group**

Recognising that the UK’s exit from the EU will have impacts upon domestic forestry as listed above, a Forestry Working Group was established at the joint request of the Scottish, Welsh and UK forestry Ministers. It has met twice, its remit being to:-

- assess whether forestry matters of cross-border relevance in a Brexit context are adequately covered by other Defra/DA UK Working Groups (Food & farming, Animal & Plant Health, Marine and fisheries, Environment, Forestry, and Trade);
- identify gaps/issues and offer solutions.

The Group has scoped relevant issues and key concerns: primarily Day-1 readiness and international forestry trade and sustainability standards and specifically the EU Timber Regulations (EUTR); and Forest law enforcement, governance and trade (FLEGT). Its deliberations are included in the analysis below.

In light of the process underway to fully devolve management of forestry in Scotland through the Forestry bill which is now approaching Stage 3, we would not support including forestry in the portfolio of formal UK Frameworks, as this would risk undermining Scottish Government’s work to complete the devolution of the management of forestry in Scotland.
Forestry grant support funded from the EU

Scottish Rural Development Plan funding (SRDP) provides vital support for the Scottish forestry sector – especially grants for new woodland creation. The Scottish forestry sector receives EU funding via the European Agricultural Fund for Rural Development (EAFRD), which forms Pillar 2 of the Common Agricultural Policy, currently co-financing 55% of the Forestry Grant Scheme. Certainty over future funding for woodland creation is vital for continuity of investor confidence in forestry – especially investment in woodland creation.

For CAP Pillar 2 related outcomes there will need to be a functioning rolled-over SRDP (to the end of 2020) to ensure the continued delivery of forestry and rural growth related outcomes of the programme. After the current SRDP period of grant aid commitments, whether or not a Brexit deal is agreed, funding allocations and arrangements will need to be agreed for forestry.

New planting by the private sector is particularly sensitive to the availability of suitable land, grant-rates, uncertainty over the approval process, and wider uncertainty in the investment market. Whilst an announcement by the Chancellor in 2016 confirmed the UK Government’s position in guaranteeing funding for projects to the point at which the UK departs the EU, there remain concerns about the nature and availability of longer term funding for forestry projects thereafter.

Through the Scotland Rural Development Programme the Scottish Government provides grant funding for the Forestry Grant Scheme (FGS). This scheme has been well-received by forestry stakeholders and planting rates are projected to increase from 2017, particularly for productive schemes. FC Scotland is authorised to continue approving FGS applications until 31st March 2019 which would enable approval for capital works starting in 2021. In response to increasing demand for woodland creation, Scottish Government increased FGS funding to £40m in 2017/18, with £34m for woodland creation.

Due to the long term nature of forestry, it is vital that there is certainty for future funding for woodland creation, in order to provide continued confidence for economic investment in forestry and avoid a hiatus (typically there is a lag in uptake following the introduction of a new grant scheme.

To date UK Government has guaranteed:

- to ‘continue to commit the same cash total in funds for farm support until the end of the Parliament’ (running to June 2022 if the UK Parliament runs its full term);
- that all contracts entered into before UK leaves the EU will be guaranteed in respect of European Structural Funds and the Scottish Rural Development Programme (CAP Pillar 2) even when associated payments continue beyond the EU exit point.
Scottish Government has confirmed it will pass on the current UKG guarantees in full to Scottish stakeholders.

Tree Health

The EU Plant Health regime is in place to help protect Scotland’s woods and trees from introduced pests and diseases. Robust inspection controls and monitoring of the movement and imports of timber and plants are vital to protect Scotland’s woodland resources. There is a need to ensure that the successful partnership working that currently operates via the UK Plant Health Service and the EU continues to operate following Brexit. It is important to
stakeholders that the UK countries continue to operate effectively together to maintain plant health.

For plant and plant products exported to the EU there will be a need to adopt a process which enables the UK (including Devolved Administrations and Forestry Commission cross-border) to issue phytosanitary certification for exports.

For plant and plant products imported from the EU there will be a need to adopt a risk-based regulatory regime to target high-risk commodities being imported into the UK from the EU, based on agreed UK biosecurity requirements.

In order to maintain safeguards over pests and diseases in the event of a ‘no deal’ scenario, continued delivery of plant health services for imports and exports would require:-

• Import inspection services. Since the current single market agreement does not require plant health official controls at EU borders, new requirements or changes will be needed, with associated capacity and preparedness challenges.
• Plant passpporting scheme. All controlled plants and plant products currently require phytosanitary certification (no plant passports) and the competent authority must provide certification. New requirements/changes would have associated capacity and preparedness challenges.
• Export certification services. Increased import checks/export certification would require pro-rata increases in diagnostic support and advice services. New requirements/changes would have capacity and preparedness challenges.

Along with the Scottish Government Plant Health team, Forestry Commission Scotland is part of the UK Plant Health Service, which works currently to ensure an integrated, cross-border approach to tree health management.

Access to labour (especially seasonal migrant labour)

Like other rural sectors, forestry benefits from EU labour and free movement: many workers undertaking forestry work in Scotland are EU nationals. And anecdotal evidence suggests that migrant labour occupies a disproportionately significant share of particular sub-sectors - such as establishment, fencing and the nursery trade. The availability of both skilled and unskilled labour from an EU-wide pool is absolutely essential to fulfil the diverse needs of the Scottish economy. The loss of these workers would be hugely detrimental to the rural economy and negatively impact on rural communities.

As with other rural sectors, seasonal worker status is a Home Office responsibility, with Defra acting as a ‘critical friend’. However, if forestry in Scotland is to avoid being compromised, it is essential that post Brexit arrangements will continue to enable access to the most talented people in forest science and forest practice; enable seasonal migrant labour to fulfil tree nursery and tree planting work; and enable swift intervention of highly skilled EU specialists for operating, maintaining and repairing (often Scandinavian) forestry machinery.

Data obtained from the largest forest nurseries in Scotland reveals that - although workforce numbers vary from year to year depending on workload - the nursery sector is very reliant on a flexible labour force that is provided by agencies. As the bulk of these workers (up to 90% in some cases) are non-UK, their absence from the UK would have a detrimental impact on Scottish forest nurseries, potentially compromising our ability to meet our tree planting targets.

St Andrew’s House, Regent Road, Edinburgh EH1 3DG
www.gov.scot
Trade (specifically timber)

The UK is a major importer of timber and finished timber products, both within the EU and globally. To a lesser extent currently, the UK also exports timber and wood products (Scotland most significantly).

Scotland’s close trading relationship with the EU is vital for growth in our rural economy. The forest sector currently enjoys unrestricted access to the European Single Market. Losing this access would impact adversely on the timber processing sector (which has grown significantly in recent years and on future investment and the ability to manage Scotland’s woodland resource, at a critical time when domestic timber availability is peaking.

As the UK is part of the European Single Market and Customs Union, allowing trade without tariff or non-tariff barriers throughout the EU. Forestry-related goods that are currently traded freely within the EU include plants (subject to plant health regulations), machinery, chemicals, timber and timber products.

The United Kingdom imports from the EU significantly more wood and forestry products than it exports to the EU. The UK’s main wood product imports from the EU are: live trees for planting (mainly from the Netherlands, Germany, Belgium and Italy); and sawn timber (mainly from Latvia, Lithuania, Sweden and Finland).

If the UK were to revert to WTO rules under a ‘no deal’ scenario, tariffs would be applied, most likely at ‘most favoured nation’ levels. These tariffs would not exceed 10%, but their total value across the sector would be significant because we currently rely heavily on imports in the forest sector. For example, some 21% of the total wood and forestry imports from the EU and 25% of such exports to the EU in 2017 would have been subject to tariffs. However, UK imports far exceed exports in this area: to date in 2017 for example, 1.3M tonnes of imports of wood/forestry products would have merited a tariff under a WTO trade arrangement, whereas there were only 285k tonnes of such exports.

There are two major EU forestry and timber trade related measures:-

The EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan sets out a range of measures available to the EU and its member states to tackle illegal logging in the world’s forests.

The European Union Timber Regulation (EUTR) requires operators who place timber onto the market for the first time, to exercise due diligence with regard to its origin and sustainability.

In the UK EUTR requirements are met largely through the current Forestry Commission Felling Licence system, reducing the burden for growers and operators. Since the EU Timber Regulation was transposed into the EEA Agreement, it is likely that the UK would need to maintain European Union Timber Regulation obligations if it became a member of the European Free Trade Association with access to the EEA.

Clarification is required from the UK Government on what any post Brexit arrangements might be surrounding EU Timber Regulations and Forest law enforcement, governance and trade. Although EUTR and FLEGT are reserved matters, they have a bearing on intra-UK trade in forest products (though this is difficult to quantify, given that timber and timber product trade data is collected on a UK basis). There is a related need to agree how these directly-applicable EU regulations will be carried over into UK law and their link to devolved
matters such as regulation of felling and approval of management plans. Regarding international forestry trade, the UK’s future relationship with the EU must make provision for Scotland to adopt environmental and sustainability standards higher than those applying in the EU if we so wish.

Defra is currently drafting a Statutory Instrument to cover post Brexit forestry trade arrangements presently covered by EUTR and FLEGT. The Forestry Working Group is awaiting a response to the question of when Devolved Administrations will be allowed to see and comment upon the draft SIs. Whilst not anticipating any major issues at this stage, it is important that the process reflects the fact that forestry is a devolved competence and therefore that any SIs need to be agreed by the DAs. The Defra/DA Legislative Working Group is helping to ensure that this process with the DAs is coordinated.

Food and Drink

The food and drink sector is hugely significant to Scotland’s economy, worth around £14 billion annually and an ambition to grow to £30 billion by 2030. There are many issues at stake. One of the biggest is labour. From fruit growers, to fish processors, to caterers and chefs, virtually all parts of the sector exemplify the key importance of attracting and retaining EU staff - both skilled and unskilled – often at very short notice. Even indirect effects may be severe: without the 98% of abattoir vets who are from elsewhere in the EU almost no meat could be processed in Scotland.

Trade in food is of great importance and complex. There is considerable concern about the potential loss of the terms of the European Single Market and Customs Union, which provides tariff-free access to key EU export markets and real uncertainty about the fate of protected food names such as Scottish salmon and it is essential that protection for these, and other products holding geographical indication status, continues post Brexit. With EU tariffs traditionally highest for some food stuffs such as red meat and smoked salmon – up to 40% - the implications for costs on both exports and imports are potentially very significant, for both businesses and consumers. Even relatively low tariffs are likely to affect the viability of processing operations with low profit margins.

We remain concerned too about the impact of new trade agreements on key Scottish food products and sectors. Potential consequences include low cost/high volume imports of, for example, beef and lamb and the inability to resist products which do not meet current EU standards, such as chlorine washed chicken from the United States. Companies could also be subject to different rules for different markets, perhaps needing different production lines.

Food supply chains are complex, with ingredients and products crossing many borders, often just in time. One of the key issues is the risk of adding to that complexity, with serious potential for practical upheaval such as considerable delays for checks at ports, causing real difficulties for perishable goods such as seafood. The nature of the trade deals agreed will determine how exports from the UK are managed in future. At present, depending on the needs of the importing country, each export consignment of a product of animal origin requires an export health certificate. This can often involve long round trips, as currently the authorisations are not issued electronically. On average the certificates cost £60 each. If these arrangements are mirrored for trade with the EU, this would place a tremendous resource burden on both local authorities and food businesses who would need to pay for a service that is already stretched. Similarly for our vital Scotch whisky exports, it is crucial that the existing customs procedures are retained.
In addition to World Trade Organisation constraints, we would want to retain high environmental, food safety and other standards and work within the rules of international agreements such as those which apply to the sustainable management of fish stocks and which have enabled to grow the market for world-leading products such as seed potatoes. In addition, the UK Government has only provided guarantees over Pillar 1 funding to 2022 (and even that is not clear that it applies to all Pillar 1 schemes). Other schemes in the SRDP, including the Food Processing Marketing and Cooperation Scheme and the European Maritime and Fisheries Fund have had no such guarantees beyond 2019.

Above all the food sector is complex with a huge range of variables and potential pitfalls. The uncertainty and potential damage caused by Brexit has already affected confidence in the sector. Clarity and certainty are urgently needed.

**Business Case Studies**

The following case studies relate to the food and drink sector and featured in the ‘Brexit: What's at stake for businesses’ document (http://www.gov.scot/Publications/2017/10/2596), they highlight what businesses are having to manage as a result of the UK decision to leave the EU.

Walkers of Aberlour, one of Scotland's most iconic and successful companies, is already feeling the impact of Brexit. The uncertainty is impacting on their relationships with buyers and others. Tariff free trade with EU markets is vital to their business, as is ready access to affordable ingredients. Crucially, Walkers employ around 1,700 people on a seasonal basis of whom 500 are EU nationals. The growth of the business has been reliant on these high quality workers, some of whom have advanced to hold senior positions. The company's recent strong growth would have been impossible without EU workers, as would future investment plans. The company are unable to identify many, if any, compensating opportunities which would emerge from leaving the single market.

Bruce Farms has been a big player in rural Perthshire for many years, well known for high quality fruit and veg. They are very concerned about finding future staff, especially as they have tried in the past to recruit locally but with very little success. Taking farm and factory together, they employ 375 workers from elsewhere in the EU, largely on a seasonal basis. Treating these staff well, they have never before experienced any difficulties in attracting staff; rather the reverse. Not so this year. A combination of uncertainty - with rumours abounding about how EU nationals will be treated in the UK - and exchange rate changes - have had a dramatic impact on supply and meant that there is very real concern for the 2018 season. Existing plans to invest and expand have already been shelved; if no solution is found soon for the future supply of seasonal workers then fruit and veg production will simply have to cease.

Angus Soft Fruits says it accounts for around 60% of Scottish soft fruit sales, and 15% of total UK soft fruit sales, selling to nearly all major UK supermarkets. Angus Growers employ around 4,000 seasonal workers. There is already a 5-10% shortage of workers. Long term unemployment in Angus is low, and many of those without work would either not be physically able to pick or else based in the wrong location, so sourcing a local labour force is impossible. It is vital that future labour schemes are simple and unrestrictive. If not Angus Soft Fruits may find themselves without a workforce. Assured Produce, the Health and Safety Executive and the supermarkets determine the standards and rules which Angus Soft Fruits must abide by: in their own words "Anyone who suggests that leaving the EU will reduce red tape is deluded".
Springbank Distillers benefits greatly from operating within the European Union and Brexit will have a negative impact on their business. Firstly, leaving the EU will result in an added administrative burden for the company as they conduct business with 27 countries compared to the Single Market. This means extra work, extra staff costs (including training or retraining) and a number of logistical and practical issues such as the additional time these burdens will take. Furthermore, anything that may restrict or hamper the travel of citizens from EU nations to Scotland will have a detrimental effect on the company. Springbank, like many other distilleries throughout Scotland, relies heavily on foreign visitors to sell their products - 10% of their turnover comes from money spent by customers from Europe. Also, increased restrictions regarding their visitors' ability to take whisky back to their homeland is deeply concerning and may impact on tourism in the area as the thousands of foreign guests that Springbank attracts to Campbeltown each year also benefits the local community. The new difficulties faced by their family owned, independent distillery within a traditional Scottish industry will be acutely felt. Therefore it is vital for them that Brexit has as small an impact on the efficiency and ease of movement of Scotch Whisky as is possible.

One Scottish fish processor, supplying products internationally and a significant employer, has said one of its biggest concerns is labour supply following Brexit. With a significant number of employees coming from European Union member states, it is concerned about the impact of Brexit on free movement. There may be additional burden caused by export barriers and bureaucracy, such as increased documentation. The increased burden of further documentation could impact the sales of chilled products which have a short lead-time (often despatching within a few hours of receiving an order). Extensive time generated through documentation and handling could lead to a decrease in product quality and ultimately limit its ability to make international sales. Trade tariffs could also impact the value of sales and competitiveness of its products. As a fish processor it is concerned about the impact of Brexit on fisheries science and regulation. Departing from the EU may lead to less investment in fish stock science which has long-term impacts for the health of stocks that this business is dependent upon.

The Scottish Salmon Company (SSC) is the leading producer of premium Scottish salmon with operations only in Scotland. Headquartered in Edinburgh, SSC has 60 sites along the west coast of Scotland and Hebrides and employs over 500 people. A global business, SSC produces 25,000 tonnes annually and exports to 26 countries. Overseas markets account for over 50% of sales and around 35% goes to the EU. SSC is focused on strategic international growth, particularly in the Far East and North America. SSC believes remaining in the Single Market will allow important trade relationships to grow. With a clear focus on growing the company internationally, SSC is harnessing the power of its Scottish provenance to position itself on the global stage and driving exports.

**Aquaculture**

The Scottish Government supports continued trading access for Scottish fish farmers via the Single Market and Customs Union on current terms. The Scottish farmed salmon industry have been clear that they want the practical benefit this brings, including tariff-free and seamless access to European markets and the free movement of people and capital.

Fresh salmon is the UK and Scotland’s No 1 food export. Scotland is the 3rd largest salmon aquaculture producer worldwide behind Norway and Chile and – with about 94% of total EU salmon production - has played a key role in relation to the EU's aquaculture “blue growth” aspirations. It’s also one of the most carbon efficient ways to produce protein.
Scottish Government is committed, through the Programme for Government, to supporting the sustainable growth of the rural economy including aquaculture - a key food and drink sector. Aquaculture brings significant economic and social value - jobs, opportunity, investment and social cohesion in the most fragile remote and rural areas – estimated to be worth £1.8 billion and supporting over 8,000 jobs across the supply chain.

Scotland’s salmon industry have indicated expansion and investment plans for continued growth - including significant expenditure with Scottish companies to manufacture infrastructure and equipment. Scotland’s smaller, non-salmon farming sector have been reliant on significant European Fisheries Grant funding for support and will be concerned to lose access to such funding if not replaced.

Scottish Government supports the sustainable delivery of industry’s 2030 Vision which includes targets to double the value of the aquaculture sector to about £3.5 billion and 28,000 jobs by 2030.'