



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Rural Economy and Connectivity Committee

**Wednesday 31 May 2017**

**Session 5**



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**RURAL ECONOMY AND CONNECTIVITY COMMITTEE**

**18<sup>th</sup> Meeting 2017, Session 5**

**CONVENER**

\*Edward Mountain (Highlands and Islands) (Con)

**DEPUTY CONVENER**

\*Gail Ross (Caithness, Sutherland and Ross) (SNP)

**COMMITTEE MEMBERS**

\*Peter Chapman (North East Scotland) (Con)  
\*John Finnie (Highlands and Islands) (Green)  
\*Rhoda Grant (Highlands and Islands) (Lab)  
\*Jamie Greene (West Scotland) (Con)  
\*Richard Lyle (Uddingston and Bellshill) (SNP)  
Fulton MacGregor (Coatbridge and Chryston) (SNP)  
\*John Mason (Glasgow Shettleston) (SNP)  
\*Mike Rumbles (North East Scotland) (LD)  
\*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Keith Brown (Cabinet Secretary for the Economy, Jobs and Fair Work)  
David Climie (Scottish Government)  
James Graham (Scottish Agricultural Organisation Society)  
Patrick Hughes (Seafood Scotland)  
Scott Landsburgh (Scottish Salmon Producers Organisation)  
David Thomson (Food and Drink Federation Scotland)  
Scott Walker (NFU Scotland)  
James Withers (Scotland Food & Drink)

**CLERK TO THE COMMITTEE**

Steve Farrell

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



# Scottish Parliament

## Rural Economy and Connectivity Committee

Wednesday 31 May 2017

*[The Convener opened the meeting at 09:30]*

### Forth Replacement Crossing

**The Convener (Edward Mountain):** Good morning, everyone, and welcome to the 18th meeting in 2017 of the Rural Economy and Connectivity Committee. I ask people to ensure that their mobile phones are turned to silent. We have apologies from Fulton MacGregor.

Agenda item 1 is the Forth replacement crossing. I welcome Keith Brown, the Cabinet Secretary for the Economy, Jobs and Fair Work; David Climie, the project director of the Scottish Government's Forth replacement crossing team; Sally Cox, the chair of Forth crossing bridge constructors; and Michael Martin, the FCBC project director. We look forward to receiving an update. Cabinet secretary, would you like to make a brief opening statement to bring us up to date from the report that we received from David Climie, which was dated 29 April?

**The Cabinet Secretary for the Economy, Jobs and Fair Work (Keith Brown):** Thank you for the opportunity to update the committee. I will provide a brief update, and then I will welcome questions for me, David Climie, Michael Martin or Sally Cox.

On 29 March I advised the committee that the Queensferry crossing is now forecast to open to traffic between mid-July and the end of August, depending on weather conditions. That followed FCBC advising us that a May 2017 opening date was no longer achievable due to the effects of the weather, particularly wind, beyond those that it foresaw in June 2016. At that time, all members agreed that the safety and quality of the construction work should be the guiding principles in determining the programme to completion.

Both Transport Scotland and I continue to stress to FCBC that the continued focus on maintaining health and safety is our top priority, and I know that it is at the forefront of everything that it does.

I am pleased to update you on the significant progress that has continued on the north approach roads and the Queensferry crossing since my previous appearance at the committee, on 29 March, and since the last written update, which you mentioned, on 29 April. I went to the site on 19 May to see for myself the progress that was

being made in the favourable weather conditions on that day—in fact, there was not a breath of wind at the top of the towers, which I am told is extremely unusual. I was hugely impressed by the progress that is being made on all the project's key activities.

I am pleased to inform the committee—although you may already be aware of this—that all the tower frames have now been completely removed. The committee will recall that that activity was significantly affected from the start of the year, due to the lower than expected number of weather windows required to complete their removal. The removal of the under deck falsework has also been completed, as FCBC has taken advantage of the available weather windows in April and May. All the expansion joints have now been installed and the final deck concrete pours on the south approach viaduct have been completed.

The installation of wind barriers is nearing completion along the full length of the Queensferry crossing. They are an important design feature that will deliver a significant benefit to the travelling public. Members should think about the times when the existing Forth road bridge has to be closed to high-sided vehicles during high winds.

Waterproofing and road surfacing is continuing on the deck of the Queensferry crossing as planned. FCBC continues to progress the finishing works relating to the stay cables, such as guide pipes, dampers, deviators, and tension rings.

On the south side, the M90 approach road and the A90 public transport link are ready for tie-in and use when required. On the north side, the construction of the Ferrytoll junction is nearing completion and the Ferrytoll park and ride construction is complete, with the bus circulatory area now open.

As I confirmed to the committee on 29 March, the overall project cost to the taxpayer remains in the range of £1.325 billion to £1.35 billion, securing £0.25 billion of savings released since the construction started.

Community relations and public engagement continue to be hugely positive, and the project continues to attract a great deal of interest from a variety of stakeholders, including the general public, schools, colleges, universities, industry, international visitors and the media. The successful schools programme has attracted well over 20,000 school pupils from throughout Scotland in just four academic years, and the project exhibition at the dedicated contact and education centre has attracted well over 20,000 visitors. The project team continues to regularly provide presentations, which have been attended by more than 30,000 people, all of whom have

been interested in hearing more about the project and the latest in the construction of the crossing.

The overall outreach and education programme has now attracted well over 70,000 individuals across all activities. Those activities will continue into the future and ensure that there is a lasting educational legacy from the project that, we hope, will ensure that future generations are inspired by the innovations of this world-class project and learn more about the science, technology, engineering, arts and mathematics that relate to it.

As members can imagine, public interest has also increased as construction has progressed. The public are now increasingly interested in how they can be part of celebrations to commemorate the completion and opening of this iconic structure. The project team has been considering the full range of options available to ensure that the public have the appropriate opportunity to celebrate the completion and opening of this world-class bridge. In the coming weeks, FCBC will provide Transport Scotland with an update on its programme to open the Queensferry crossing to traffic. Following that, announcements will be made regarding the opening celebrations that are planned for the crossing.

The Queensferry crossing remains on schedule to open to traffic between mid-July and the end of August 2017. As I have said before, the FCBC consortium continues to strive for the earliest possible date for opening to traffic. I also assure the committee that everyone who is involved in the project remains fully focused on completing it to the high quality that has been achieved so far and—just as important—as safely as possible. As Michael Martin mentioned to me recently, health and safety have no finishing line.

I am happy to try to answer any questions that the committee might have for me, David Climie, Michael Martin or Sally Cox.

**John Mason (Glasgow Shettleston) (SNP):** Thank you very much for your update. We are talking about the opening being between six weeks and 12 weeks from now, roughly. Can you be any more specific on that?

**Keith Brown:** No. As I said the last time I was at the committee, there is a reason for that range being given rather than a specific date. We have learned that that is the best way to present to the public the expected opening time for the bridge. We have the window of the six weeks between mid-July and the end of August. We will try to open the crossing as early as possible, but there are still several variables, particularly the weather. For example, yesterday was a very good day for most of us, but the rain that fell during the day meant that the waterproofing that had been done could not be overlaid with blacktop.

There are still too many variables for us to be specific about the opening date. We expect to be, and will have to be, specific about it in the next few weeks. However, until we have confidence about the opening date, we do not want to go public with it.

**John Mason:** Have there been other weather issues over the past few weeks since the previous update?

**Keith Brown:** I get regular updates from the team. According to the reports that I have, there are still issues. The last time I came to the committee, the cranes were the big issue. Once they had been taken down below a certain level, it was possible to work in higher-wind conditions than it was at the top. On the plus side, the lengthening days have allowed more of a window for work to be done but, even on some days that appear to be quite benign, there have continued to be issues with wind—especially later on in the day—and, sometimes, with rain. All of that is pretty standard for such a project, although this one is taking place in the middle of the Forth estuary, which adds to the issues.

There are continuing problems with the weather conditions, but they are probably nothing beyond what we would expect.

**John Mason:** You said that you get regular updates. How does that work? Does the contractor tell the management team what is happening every week or so, and do the management team then update you every week?

**Keith Brown:** David Climie visits the project all the time and talks with Michael Martin regularly. I get a weekly update from David. He provides updates to the committee as well, as you know. I talk to him or Michelle Rennie from Transport Scotland, who is also with us, sometimes two or three times a week and sometimes less than that. We certainly get regular updates regardless of how often I talk to them.

As you can imagine, the pace is quickening towards the end of the project. Public interest is increasing substantially, so I am asked more and more questions about it. They are nice questions, just like the ones that the committee asks. With that level of interest, even if I did not want to be kept up to date, I would have to refer to David Climie and Michelle Rennie regularly. There is a regular dialogue.

**John Mason:** So, if all goes well, we do not expect any weather to be disruptive in the next six weeks or so.

**Keith Brown:** To be honest, we do expect weather to be disruptive, but not beyond what we would have expected. If we had a prolonged period of high winds, that would give us issues.

Similarly, now that we are into the surface processes, a very wet period would give us issues. I do not pretend to know them all, but there are a number of different elements to the surface that have to be taken into account, and they are weather dependent. That was all pretty much anticipated, but the weather can still present us with challenges—there is no doubt about that.

**David Climie (Scottish Government):** I will add a little to that. Particularly in April and May, we have been fortunate in the weather being very dry, which has been commented on in the press. That has helped us with the waterproofing and the surfacing. About 20 per cent of the average rainfall has fallen in Edinburgh over that period. There is always the risk that we will get back to the average. There is a relatively short period to go—between six and 13 weeks, as you said—so, if the weather should swing back to where it should be in the long term, that could have an impact on the waterproofing and the surfacing. We have allowed for that, which is why we are still sticking to the window.

**Jamie Greene (West Scotland) (Con):** My question is about maximising opportunities. Given that we are now operating in much longer daylight hours, has there been any change to working patterns? For example, as we know, winds often pick up in the afternoon, so people could start earlier—at 6 am, say—to take advantage of the daylight hours.

**Keith Brown:** Yes. I will let David Climie come back in on that, but that is the case. In fact, the activities on the tension rings—which are done at great height, as you can imagine—continue not only in daylight hours but right through the night. Full advantage has been taken of the longer daylight hours. Perhaps David Climie would like to come back in on that.

**David Climie:** That is exactly right. FCBC has been very proactive in looking at when is the right time of day to work. The removal of the cranes took away one significant area of big exclusion zones where only one activity could happen and opened up more areas that could be worked on simultaneously.

Typically, the Forth is absolutely flat and calm in the morning, but the wind picks up in the afternoon. It is almost as if a door is opened at about 11 o'clock in the morning. The wind blows quite hard at about 30 to 35 miles an hour until around 9 o'clock in the evening, when it is as if that door is closed again. The key wind-dependent activities, such as fitting the tension rings and working on the tops of the cables, are put on the back shift and they start late in the evening. With the longer daylight hours, they can work effectively through that period. There is a lot of flexibility built

into maximising the use of daylight hours and to fitting with the wind pattern through the day.

**Peter Chapman (North East Scotland) (Con):** Good morning, folks. Is FCBC subject to any penalty for missing the contractual opening date, and if so, what is it?

**Keith Brown:** Much of that is commercially confidential, but I will let David Climie answer.

**David Climie:** To start with, I will not mention penalties, because we do not typically put penalties in a contract. There are liquidated damages in contracts—that is how they are usually described. If a project should overrun the agreed contractual date, there is a loss of benefit in not having the project delivered, so we assess what the liquidated damages would be and put them into the contract.

With any contract, there are also avenues for the contractor to apply for an extension of time if events occur for which they are not liable. It is a two-way street: there are potential liquidated damages if the contractual date is not met, but the contractor is entitled to apply for an extension of time if such events occur. The contract has mechanisms to allow for those two things.

Mr Brown has correctly said that it is a live contract, so there are discussions going on on that subject, and we are not yet at the point of passing the contractual date. We are close to it and there are mechanisms in place should it be necessary.

**Peter Chapman:** Is there also a mechanism for the contractor to recoup extra costs that might be involved in running past the date? There are hundreds of staff on site and, if the job had been done, their contracts would be finished and the contractor would not be paying them.

**David Climie:** That is true. The way the contracts are set up is that some aspects of the project can have an extension of time and some can have an extension of time plus costs. It depends which activities are affected. As I have reassured the committee before, nothing has come up so far that would entitle the contractor to claim extra costs for an overrun, which is why we are still confident of maintaining the original budget. There might be an element of time, but we are confident that there will be no element of cost attached to that.

**Keith Brown:** It is worth adding that the contractor will bear the additional costs that will be incurred, which will be to the tune of £1 million a day—I think that I am right about that figure. If we go past the contract completion date, which is what we expect, there will be every incentive for the contractor to finish as quickly as possible.

09:45

**The Convener:** Could I come back on the issue of liquidated damages? Proving a loss would be extremely difficult to do, because there is already a crossing that is open and operational. Do you accept that premise?

**David Climie:** As a premise, yes, but, when you negotiate any contract, one of the elements of that negotiation is what the liquidated damages would be. When you enter into a contract, it is important that you have a level of liquidated damages that the parties sign on to. As part of the original competitive dialogue that we had when we were negotiating the contract, the level of liquidated damages was one of the factors agreed as part of the contract negotiations. Several things were negotiated similarly, including the level of bonding for the contract, the level of liquidated damages and the whole payment schedule, all of which were discussed in great detail and decided in advance of awarding the contract. Those discussions were had in advance of the contract, so they should not come into effect post-contract.

**The Convener:** I totally accept that and I am sure that people understand that, in some ways, it is better to keep liquidated damages low, on the basis that you will get a better overall price for the contract. Have you given the contractor any extensions of time at this date?

**David Climie:** There are discussions on that subject at the moment, but it is a live contract, so I would rather not comment on that.

**The Convener:** Is it the case that there are discussions going on but no extensions of time have been given as of today's date?

**David Climie:** As I said, it is a live contract and discussions are on-going, so I cannot answer that question or comment on that.

**Mike Rumbles (North East Scotland) (LD):** I understand perfectly the issue of commercial confidentiality and the fact that it is a live contract. However, bearing in mind that we know the price of the contract, because it is published, when will we know whether there will be any money coming back to the taxpayer as a result of the contract? I do not want to know now, but when will we know?

**David Climie:** Your question is whether there will be any further money coming back to the taxpayer, because a significant amount has already come back. We have a good dialogue going on and a good relationship between the client and the contractor. Those discussions are taking place, and we had a session yesterday to talk about that and to establish exactly what the timescale should be. Finishing the physical construction process is one thing, but finishing the commercial discussions is equally important,

because it is important for the contractor to know exactly what it is going to pay out and, as you say, it is important for the taxpayer to be able to draw a line under the contract and not have it dragged out for months and months. My personal intention is that we will have that established very shortly after we open to traffic; the two will be closely linked.

**Mike Rumbles:** So we will not have long to wait.

**David Climie:** No, we do not expect it to drag out for months because, first, there is not a great deal to talk about and, secondly, there is a good commercial and contractual relationship between us.

**Stewart Stevenson (Banffshire and Buchan Coast) (SNP):** I presume that we are not including in the remarks that have just been made the period of warranty. There is a period of a number of years—I cannot remember what the period is—during which the contractor retains liability, so the closedown of the final accounting can be done only after the warranty period.

**David Climie:** That is true. There is a five-year defects liability period attached to the project, but the final accounts settlement will allow for an element of potential expenditure over that five-year period. The budget that we have always established has been for the full project, from the day it first started with the land acquisition right through to the end of the five-year defects liability period, so any commercial settlement that we reach will include allowances for anything that may have to happen in that five-year period, and we also have a retention bond with the contractor that is in place throughout that period.

**Stewart Stevenson:** It is fair to say, though, that both parties could find themselves having to commit to payments under the terms of the warranty.

**David Climie:** To a small degree, yes.

**Stewart Stevenson:** Depending on where the liability lies for whatever the defect is.

**David Climie:** That is possible.

**Gail Ross (Caithness, Sutherland and Ross) (SNP):** We have heard that there is a high level of community engagement with local businesses and residents. Have any local concerns been raised since we last spoke to you?

**Keith Brown:** No issues have been raised with me. An issue with taxis was raised with the contractor at community level through the public engagement processes that we have established. Nothing has been raised with me, but perhaps David Climie could say whether he was aware of any others.



**David Climie:** The committee will remember that we combined two community forums last autumn, because there had been relatively little to talk about. A forum is due to take place tonight and the community groups involved have not presented us with any issues for consideration in advance of that, which is very positive.

At the last community forum back in February, the focus was switching to an appreciation of how the interaction had worked throughout the construction period and thinking about how that could continue in the area once we have gone, as it were. We have been right there with the community forums all the time. They have known who to contact and we have a hotline and a contact and education centre. The question is whether that will continue and how it will transition once the bridge is handed over to the operating company.

The current issues are not so much immediate concerns but how we move forward and maintain the high bar that we have set.

**Gail Ross:** Have there been any discussions about, and are there any plans for, how that engagement might continue? Will the forum remain in place, or will you approach it in another way?

**David Climie:** In parallel, we have established a Forth bridges forum, which deals with the railway bridge and the road bridge. That will be led by the Forth bridges operating company. It has been coming to our community forums as well in order to start the transition to the Forth bridges forum. The guardianship of that will move from the project team to the Forth bridges operating company, just as the operation and maintenance of the bridge will. That is the right place for the contact. There has been good engagement and there will be a good transfer of knowledge and information to that group.

**Keith Brown:** The contact and education centre will remain, in anticipation of a continuing high level of interest, given that we will have three different bridges from three different centuries, each of which is unique in its own right, with world heritage status. In addition to the general public interest, which can be fed through the contact and education centre, we also have the “Engaging with Communities” booklet, which sets out the different forms of communication that we expect to have after the opening, including contacts, details, messaging and website details so that bridge users, local communities and the general public have the appropriate information channels.

The question is well put because we expect to have heightened interest initially. The public is very interested in the project.

**Gail Ross:** Have there been discussions with VisitScotland about promotion as a tourist destination?

**Keith Brown:** The likely level of public interest was part of the discussions that we had in the build-up to the application for world heritage status. The unique and world-renowned nature of the railway bridge, as well as the bridge that we are building—it will be the biggest of its type in the world—was taken into consideration. World heritage status is a huge tourist draw, as people go to where they know there is a world heritage site. Tourism was part of the discussion at that time and will continue to be part of the discussion.

**The Convener:** Before we leave that topic, I have a question for David Climie. Will you remind the committee of what will happen to the old admiralty building that is being used as offices by some contractors?

**David Climie:** You refer to Admiral’s house, which is close to the north abutment of the crossing. It is owned by the Scottish Government and was taken into Government ownership in the mid-1990s, when the previous project was being thought about. In the intervening period, it was leased to a company.

As you said, the building is being used as a site office but, once the construction work is finished, the intention is that we will clean it and renovate it to put it back on the market. We have not yet decided whether we will put it on the market to sell it or to establish a lease. Given the building’s proximity to the crossing, we might want to lease it, rather than sell it, in order to keep control of it and the area around it.

**The Convener:** Is it a listed building?

**David Climie:** Yes.

**The Convener:** When the committee visited the area, we saw that the building was what I would describe as tired—there were trees growing from the gutters. That is perhaps not the best advertisement for what is a world heritage site, as the cabinet secretary mentioned.

**Keith Brown:** Because of where the building is, people are unlikely to see it from the bridges. Your interest in the property is noted, convener.

I said to Transport Scotland at the start that ministers would want to be involved in the decision about the property, which is pretty unique, although it is now impacted by the proximity of the road. It was previously used for corporate hospitality by somebody in central Scotland.

We will look at the situation when we are ready to make a decision. The contractors are probably right not to concentrate on cleaning the gutters while they get on with the crossing, but we are

aware of the issue. Inchgarvie house, which is on the other side of the river, is another important building. We have those buildings very much in mind.

**The Convener:** It would be sad to see a historic building ignored.

**Rhoda Grant (Highlands and Islands) (Lab):** When do you expect the public transport strategy to be complete and how will public transport differ from what is available at the moment?

**Keith Brown:** As you know, the existing bridge will be reserved for use by public transport. We are still looking at the practicalities, but it is likely that all traffic will have to use the new crossing for an initial period under traffic management measures and that public transport will revert after that. The new bridge will be part of the motorway network, with a speed limit of 70mph, but the speed limit will initially be constrained to allow people to get used to the bridge. After that, the situation will revert to what was established in passing the legislation, which is that the existing bridge will be used as a public transport corridor.

Throughout the project, we have engaged with bus operators through the public transport working group. A dedicated bus driver training session was held in February, which was attended by 18 representatives from local and national bus companies, the Confederation of Passenger Transport and the regional transport partnerships. All bus-related features will be explained in detail, including the various operating regimes that can be adopted, such as those for high-wind events. I mentioned that, as we all know, high winds can affect high-sided vehicles, including double-decker buses, on the existing bridge. Those who attended the training session were given presentation materials to pass on to bus drivers.

After the new crossing has opened, bus services will be able to take advantage of the dedicated public transport corridor that goes from Ferrytoll park and ride across the Forth road bridge and via associated public transport links south of the Forth. We are making improvements to the park and ride at Ferrytoll, and hard-shoulder bus lanes on the M90 and the M9 will enable buses to bypass general traffic, should congestion occur. As I said, use of the Queensferry crossing's hard shoulders when high winds affect the Forth road bridge will give us additional capacity. We will also have bus lanes around the Ferrytoll junction.

Cross-Forth bus services will be the responsibility of bus operating companies, which will determine their routes and timetables according to their business. We expect a significant improvement in journey-time reliability for public transport after the crossing opens.

**Rhoda Grant:** I might have misheard you, but you appeared to say that all traffic would initially use the new crossing, including bus traffic. When will the old bridge be used for bus transport? Will it be just for traffic from Ferrytoll? It is a huge bridge for what seems very little traffic.

**Keith Brown:** I think that the new bridge will be used by public transport for a matter of weeks, but I will ask David Climie to come back in on that. Arrangements are still under discussion but, for three or four weeks, all traffic will use the new bridge, and public transport—buses, taxis and so on—will use the existing bridge after that.

In future years, we will make repairs to the existing bridge that have not yet been carried out, on things such as the expansion joints. They are not critical for safety, but the committee will know the slap, slap, slap noise that occurs when vehicles go across the existing bridge. We will work on that over the coming years, as doing that now would cause massive disruption.

Does David Climie want to give more detail on how long we expect the initial period to last?

**David Climie:** When we initially move traffic on to the Queensferry crossing, the last little tie-in of the ramps from Ferrytoll up on to the Forth road bridge will need to be completed; we cannot do that until the traffic is out of the way. A period of three or four weeks is all that we are talking about.

For that period, we will put all traffic on to the Queensferry crossing. That has two benefits. I am sure that, when people drive over the crossing for the first time, they will want to have a good look at what they are driving across and what they can see from it. In conjunction with our traffic management working group and the police, it was suggested that, when we open the crossing, we should keep it under a temporary traffic management regime with a speed limit of 50mph rather than 70mph, because people will want to look at what is going on.

To avoid any confusion about who goes where, everything will go on to the Queensferry crossing, on which the speed limit will be 50mph, for three to four weeks. At that time, the last tie-in on the north side will be finished. The Forth road bridge will then act as the full public transport link, as has been described, and the Queensferry crossing will become a motorway—the road order will become live to enable that to happen.

10:00

**Rhoda Grant:** When that happens, will there be more buses and the like from Ferrytoll? What difference in public transport will people notice?

**David Climie:** The feedback from bus operators is that the modifications that we have made at

Ferrytoll have been beneficial. With the larger turning circle and the area for buses to park, the new layout is working well.

In general, the bus companies have said that they will want to see how the operation of the new crossing affects journey times and whether the queues are shorter at peak times. They will review their strategy on the basis of what they see and what the public demand is. They will see how the new arrangements operate before they commit to any additional services. Ultimately, that is their choice to make.

**The Convener:** Richard Lyle has a few questions about public transport.

**Richard Lyle (Uddingston and Bellshill) (SNP):** Good morning, cabinet secretary. You said that, when the new bridge opens, everything will go over it. You also said that double-deckers and single-deckers will eventually go over the old bridge. What will happen when there are high winds?

**Keith Brown:** That relates to the point that I made about the hard shoulders on the new crossing. I am happy to be corrected if I have not got this right. Traditionally, in high winds, high-sided vehicles such as double-deckers and large trucks have not been able to cross the existing bridge. In such circumstances, the new crossing will be able to take high-sided vehicles such as double-decker buses on its hard shoulders; it will already be taking heavy goods vehicles and so on. That will give us extra resilience. Once the initial three to four-week period has passed, the norm will be that double-decker and single-decker buses will use the existing bridge.

To go back to the previous point, when it comes to journey times and reliability, we need only think about what buses that come out of Ferrytoll park and ride sometimes have to contend with at peak hours. When the new crossing opens, they will be able to get straight across the Forth road bridge, because only public transport vehicles will be using it.

**Richard Lyle:** I remember what happened when the Forth road bridge was opened—I was a teenager at the time. A lot of people walked across it and a lot of people drove slowly across it. Yesterday in Parliament, you faced criticism about signage. What will you do to ensure that the signage is up to standard, so that people know what to do? Mr Climie said that people will be driving at 50mph rather than 70mph on the new crossing. Over the next couple of weeks, will you ensure that the signage is up to standard so that, when the new crossing opens, people know where they are going?

**Keith Brown:** Nothing will change for pedestrians. The only way in which they can cross

is by using the Forth road bridge, and that will not change—people will not be able to cross the new crossing by foot.

As for signage, we have a substantial integrated traffic management system. The gantries on both sides of the crossing will display journey time information and all sorts of other information. The discussion that we had in Parliament yesterday was not similar. A great deal of information will be provided to drivers.

Those who want to walk across the existing bridge will not have to change what they do. With regard to driving slowly, the lower speed limit applies on the existing bridge. On the Queensferry crossing, people will be able to travel at 70mph after the initial period. You are right to say that we must tell people when they first use the new crossing that the 50mph limit—which will apply for the reasons that you and David Climie mentioned—is temporary and that, in due course, they will be able to travel at the same speed as elsewhere on the motorway network, which is 70mph.

**The Convener:** John Finnie has a particular question.

**John Finnie (Highlands and Islands) (Green):** Good morning, panel. People commute across the Forth by bicycle, and a number of them have raised concerns about changes to the cycle routes that serve the current Forth bridge, particularly at the Ferrytoll end. The issues are about poor signage and road surfaces and the fact that the route is indirect. I appreciate that there will be temporary arrangements, but what assurances will you give about improved cycle provision?

**Keith Brown:** I travelled the route by bike about three or four years ago. Since then, there have been massive improvements in the cycle route, especially when coming on to the south side. Perhaps David Climie will want to speak about signage and what we are doing to work with others on that through the public transport strategy.

**David Climie:** I do.

**The Convener:** Before you do so, I raise a question that follows logically, which is about the transition period of four weeks or so in which you have indicated that things will be going on. The committee would be interested to hear about what the position for cyclists will be at that time.

**David Climie:** For clarity, I will deal with that point first. Pedestrians and cyclists will still have full access to the Forth road bridge throughout, so there will be no interruption to their access for the temporary period—only road traffic vehicles will be affected.

We are reaching the final stage of work on the Ferrytoll roundabout. In the past month, the points

that Mr Finnie raised have been particularly accurate, because we have been putting a lot of the last surfacing into position and there has been a lot of temporary rerouting for pedestrians and cyclists. I have walked through that area once a week for the past four weeks, and the route has changed every time. To be fair to FCBC, I have to say that the signage that has been there—of which there has been a lot—has been clear. Perhaps sometimes there has been too much signage and it has been overcomplicated. However, there has always been a route through, although sometimes it has been circuitous.

This coming weekend, we will have closures on the Ferrytoll gyratory, which we have publicised on our website, as we always do. That will be for the final areas of road surfacing to be put in place around the new Ferrytoll roundabout, as well as the finalising of the pedestrian and cyclist routes. During June, we expect to finish the work in that area, so the permanent solution will be there, including all the new pedestrian crossings, cycle tracks, signage and so on.

The community suggested the good idea that we should issue a road user's guide—the committee will be aware that we have issued it—that tells drivers which bridge they can use and when. In parallel with that, we will produce a guide for cyclists and pedestrians that includes a map that shows exactly where the routes are, where they can go and, if they want to get from A to B or from C to D, which route to take. We will publish that in advance of the opening to traffic.

**John Finnie:** That is reassuring.

**The Convener:** Mike Rumbles has a question.

**Mike Rumbles:** Yes—I will go to the last question on our list. I know that we do not yet have a date for the opening of the new crossing, but when can we expect to hear your plans for marking the opening? I want just to know when we will hear what they are, rather than to have a specific opening date.

**Keith Brown:** We should announce those plans when we have certainty on the opening date. As Mr Rumbles's question implies, a great deal of discussion has gone on, and a lot of people have been getting in touch with Transport Scotland and the Scottish Government with suggestions and ideas for the opening. There is huge interest. The plans will be best announced when we know the opening date, so that the two things happen at the same time.

**The Convener:** I give the final question to John Mason.

**John Mason:** I go back to buses. Will it be compulsory for buses to go over the old bridge or

will they be able to choose to go over the new crossing if it is faster for them than the old bridge?

**Keith Brown:** I am not sure that the new crossing will be faster. Even if a bus can go at 70mph on the new crossing, if the existing bridge has a dedicated public transport route through which the bus can go without joining general traffic, it will be a moot point as to which route is faster.

**David Climie:** Nothing in the regulations prevents a bus from going over either bridge. It can go over the Queensferry crossing if the driver wishes, but operators that are running a bus service tend to publish what the route is. Where the stops are at either end will depend on which bridge the bus crosses.

However, there is nothing in the regulations that says that buses must use the Forth road bridge. They can use the Queensferry crossing if they wish to. If they can go on motorways, they can go over the crossing.

**Keith Brown:** For the avoidance of doubt, I note that there will be no bus stops on the new crossing.

**John Mason:** I got that.

**The Convener:** Richard Lyle has a very brief question, which really will be the final one.

**Richard Lyle:** We built a new bridge because we had problems with the old one. As I have asked the cabinet secretary before, is there any intention to renew the structure of the old bridge—the cable ties and so on—as and when necessary?

**Keith Brown:** Richard Lyle is right to say that what initiated the Scottish Government's decision to go ahead with the new crossing was condensation in the cables. At the time, we were told—although it has transpired not to be true—that, by 2017, heavy goods vehicles would not be able to use the existing bridge. That has not happened, because the works that have been carried out on the cables have helped to achieve some dehumidification, which has increased the existing bridge's lifespan. The decision was also about the fact that the existing bridge was carrying far more traffic than it was designed to do, and there were questions of capacity.

The existing bridge had a full and thorough health check when we had a problem last year—a huge amount of work was done then. As for what we intend to do, we know that there is further work to do. I mentioned the expansion joints, and there are other things that it would be disruptive to traffic to do, if we closed the bridge to work on them. We will soon be able to work on the existing bridge with much less disruption, but there is nothing substantial that raises questions about the safety

or even the longevity of the bridge, as it had a thorough health check recently. We know that there is more work to do and, as ever, there will be maintenance work to do, but nothing more substantial than that.

**The Convener:** Thank you. I hope that this has been our last evidence session on the new crossing. When I last said that, early in March, it proved to be incorrect—[*Interruption.*] The clerk tells me that the cabinet secretary will appear on 28 June, after the election, which will no doubt be to give us an exact opening date at the back end of August. We look forward to hearing the exact date and what all the plans for the opening are.

I am sorry that Sally Cox and Michael Martin did not have questions put to them, although they might be delighted about that. I thank the panel very much for the evidence that it gave us.

I suspend the meeting briefly to allow for a change of witnesses.

10:11

*Meeting suspended.*

10:14

*On resuming—*

## **Food and Drink Strategy**

**The Convener:** Item 2 is our first evidence session on the food and drink strategy. In March, the Scotland Food & Drink partnership published its vision for growth in farming, fishing and the food and drink sector by 2030. I welcome a large panel: James Withers, chief executive of Scotland Food & Drink; Patrick Hughes, head of Seafood Scotland; David Thomson, chief executive of the Food and Drink Federation Scotland; Scott Walker, chief executive of NFU Scotland; Scott Landsburgh, chief executive of the Scottish Salmon Producers Organisation; and James Graham, chief executive of the Scottish Agricultural Organisation Society.

James Withers has been targeted to make a very brief opening statement.

**James Withers (Scotland Food & Drink):** Good morning, everyone. I will talk for a couple of minutes on the background to the strategy and who is in front of the committee. Scotland Food & Drink is an industry body but, at our heart, we are a collaborative partnership. We bring together all the main sectors of the farming, fishing and food and drink industry, alongside partners in the public sector, to drive forward a strategic plan for the industry.

We have a strategic board, which is the co-author of our “Ambition 2030” strategy. I do not know whether you have a copy of the strategy in front of you, but the six of us, along with a number of our counterparts, are co-authors of “Ambition 2030”.

Scotland Food & Drink is a membership body. We have about 370 members, who are mostly food and drink manufacturers. It is much like a number of the other bodies represented here today that are membership bodies.

“Ambition 2030” is the second strategy that we have produced. The first ran from 2007 to 2017. The starting point then was different: the sector was marked by static growth, a relatively low level of ambition and a relatively low level of success. The second strategy, which is a roadmap out to 2030, starts from a very different point, because food and drink has become one of the best performing sectors in the economy. We have broken the earlier targets that we set and food and drink is Scotland’s fastest-growing export. There are challenges, but we do not start from a burning platform.

I will provide a little bit of context. Obviously, there is huge uncertainty around at the moment. We had a genuine debate about how we try to

plan a long-term strategy against the backdrop of Brexit, Trump and an on-going debate about Scotland's constitutional future, but we were clear that uncertainty is not new for business. Indeed, there is always uncertainty. Other countries around the world—the Irish, New Zealanders and Scandinavians, for example—are planning hard for their future. Ultimately, although the big geopolitical events are totally outwith our control, a number of factors are very much within our control: how we develop our brand for farming, fishing and food and drink in Scotland, how we invest in our capability and how we build our markets. We have built the strategy on those factors.

In the strategy, we also recognise where we have been less successful over the past few years. The level of confidence and profitability at the farm gate, for example, is not where we need it to be; we have not been successful in turning that round. We are still some way off creating farming, fishing and food and drink as a career destination of first choice. Another such area is the connection to our research community. Furthermore, industry and Government can do more in partnership on Scotland's dietary and health challenges.

The strategy is founded on a vision that, by 2030, we can make farming, fishing and food and drink Scotland's most viable sector. We want it to be a model of collaboration and responsible growth.

I will spend a minute to set out quickly the strategy's building blocks. Those are building our brand for Scotland—the land of food and drink identity. The brand is our fortune. Most countries consider that they have the best food and drink in the world. We say the same, too. However, we have the best story—it is a phenomenal provenance story—and we need to go out and tell it.

On markets, we want to sell more Scottish food and drink in Scotland, across the rest of the United Kingdom and internationally. There are three key areas in building capability: investing in our skills and people; investing in our supply chain; and investing in innovation.

On the industry that we want to be, if we strip away the various growth factors over the past wee while, the single most important ingredient has been collaboration between industry bodies, with the public sector and at company level. Indeed, companies often work closely together.

The second aspect concerns responsibility. That is often seen as having an approach that goes beyond profit, but we see the responsibility agenda as linked to profitable growth. There must be responsibility on sustainability, health and how we invest in our people.

We have identified a £30 billion prize. At the moment, our industry is worth £14.4 billion. We think that we can more than double its worth by 2030. That is unapologetically ambitious. When you strip back that figure, it comes to about 5 per cent year-on-year growth from the 2015 starting point to 2030. We see that as much as a statement of our potential as a target. It will take a huge amount of investment and collaboration, but we have a good starting point.

Those are the main features of the ambition 2030 strategy.

**The Convener:** Thank you very much. Before we ask questions, some members have interests to declare. I declare an interest as a member of a farming partnership.

**Peter Chapman:** I declare an interest as a partner in a farming business, too.

**Stewart Stevenson:** I have a registered agricultural holding, but derive no income from it.

**The Convener:** Peter Chapman will start us off on the first theme of questioning.

**Peter Chapman:** Good morning, gentlemen. James Withers answered many of my initial questions in his opening statement. I was going to ask him to set the scene a wee bit, to tell us how important food and drink is to the Scottish rural economy and what the rationale was for setting up Scotland Food & Drink in 2007.

James Withers also mentioned the importance of collaboration. I want to hear—maybe the other panel members will comment on this—how the organisations that are here today fit together and how they work together to achieve the joint aims. What was the thinking in setting up the organisation in 2007? How important is food and drink to the rural economy?

**James Withers:** Food and drink, farming and fishing will be Scotland's biggest industry by 2030. It is not far off that at the moment, because it is our biggest exporter. The quarter 1 export figures for 2017 have just come out and Scotch whisky is our largest food and drink export. In the UK alone, our biggest food export is salmon.

Food and drink is a huge part of the rural economy. Similar to tourism, it is one of those industries that stretches into every corner of Scotland, including some of our most fragile communities. It employs about 119,000 people across Scotland in the primary agriculture, fishing and manufacturing sectors—and many more through the supply chain.

Why did we come together in 2007? The organisations that are represented here, and the others that are not here today, have individual specialisms, but a few things bound us together.

There was a collective desire to grow the value and the reputation of Scottish food and drink. I used to do Scott Walker's job at the National Farmers Union. I was a little bit siloed in how I worked—I rarely spoke to the fishing organisations, despite their facing many of the same issues. The principle of bringing together all the organisations was to work on the two things that united us all: growing value and growing reputation.

The individual organisations still exist, but we have a strategic board that brings everyone together. Although the creation of Scotland Food & Drink came about in 2005 and 2006 and it was launched in 2007 under the previous Liberal Democrat-Labour coalition, since 2007 we have developed a partnership with the public sector. That was a unique aspect to our approach, although I know that other sectors are moving into that approach, too. In a way, we have a deal that industry defines the strategy and identifies the priorities, but the public sector and the Scottish Government and its agencies align their investment behind that. That has been a game changer. If I take exports as an example, we have a clear export plan, with eight top priority markets. Scottish Development International invests its resources alongside our funding.

The approach has worked well, but we can deepen the collaboration and share resources and expertise over the next few years. I will let others chip in on what they see as the value of this collaborative model.

**The Convener:** Does anyone want come in? As I said, it is a large panel, so I will try to be selective in order to give you all a chance to comment.

**Scott Landsburgh (Scottish Salmon Producers Organisation):** I emphasise James Withers's point about the export situation. As members have probably gathered, this morning we are celebrating good export success in the first quarter of 2017, which puts us on course to be, probably by a long chalk, the UK's, and not just Scotland's, largest food exporter. That is good news.

The three key areas in the world for Scottish salmon exports are the European Union; the USA and Canada; and the far east. In the first quarter of 2017, the volume that we export to the EU increased by 11 per cent and the volume that we export to the far east increased by 24 per cent, but by far and away the biggest increase, of 35 per cent, was in exports to North America. That is a key market for us, and we could not do it on our own. We need to collaborate with Scotland Food & Drink and with the specialists in the US and Canada market that it has appointed. They have been a great help to us. It is not just about the fact that we produce a top-quality product that is good

for people, although that is part of the story. It is also about projecting the image and heritage of Scotland and the qualities of the Scottish environment that help us to produce great food. That is key to the messaging when we go abroad. If we can do that together in a collaborative way, Scotland plc comes out really strongly.

We all tend to convene at various trade shows throughout the world. The most recent one was in Brussels, which is the largest seafood show in the world. I was also in Boston earlier this year. We now have a terrific stand. If members ever get the opportunity to come and see it, they should do so. I know that Mr Stevenson, in his previous role as minister, came out to Brussels on a couple of occasions to see it. It is tremendous to see how well Scotland is projected on the international stage, and the figures support that.

**The Convener:** I, too, was pleased to see the increase in exports, but I was not sure about that, because it appeared to me that it was partly down to the devaluation of the pound, partly down to the increase in value of the product and partly a result of difficulties of supply elsewhere in the world. Just out of interest, how much has production gone up in the past year?

**Scott Landsburgh:** That is a good question. Production has not really gone up much in the past year, although it went up quite a bit in the past quarter, and it is forecast to go up by 20,000 tonnes this year, so we will see a significant uplift in volume. You have spotted the fact that the increase has really been in value. I would not say that it is about currency; it is more about shortage and increasing demand. The United Nations Food and Agriculture Organization estimates that, without doing anything, we will get a continuing 8 per cent growth in demand, just by dint of the change in demographics of the global population. It is fairly easy for us to try to fulfil that, but our big challenge is in increasing production. The members who are coming to visit a farm in the next couple of weeks will see what the challenges are and how we are trying to overcome them.

The increase is really about value, which has risen, and that is fundamentally on account of the fact that demand far outstrips supply around the world.

**Scott Walker (NFU Scotland):** I will build on a couple of points that James Withers and Scott Landsburgh highlighted. I will highlight two things about Scotland Food & Drink that are particularly important for us going forward. One is to do with the competition out there. For instance, we should look at what Ireland is doing to promote the Irish brand abroad and to pull its industries together. Doing nothing would not take us forward. Scotland Food & Drink has to pull things together so that we can compete with others.

The other main issue that I would highlight is about building trust in the supply chain. Particularly from the farming point of view, we do not have huge trust in the rest of the supply chain. Working with Scotland Food & Drink is about bringing together partners to look at the opportunities and develop trust going forward. In the past five years, farm incomes have fallen by 75 per cent, so we still have an awful long way to go. Although the food and drink industry is booming in Scotland, the benefit of that has not gone down to the farm level. However, the new strategy identifies that as one of the things that needs to be worked on. It is not a case of disengaging; it is about trying to pull together more closely, building trust and seeing how we can overcome the current barriers and capitalise on what is fundamentally a fantastic product range that we have in Scotland.

**Stewart Stevenson:** I have a quick question on a specific point that Scott Landsburgh made about the substantial success in the last quarter in North America. I am not certain, but I believe that Canada is the fourth-biggest salmon producer in the world—it is up there, anyway. Why are we successful in a market where there is quite a strong local producer of a similar product? It is Pacific salmon, of course. What does that success tell us?

10:30

**Scott Landsburgh:** Atlantic salmon, as you know, is a somewhat different species from the indigenous salmon that is produced in Canada. We are targeting the high end of the market—the premium end. Fundamentally, Atlantic salmon has a better flesh and a better flavour—although I would say that, I suppose. We are targeting white linen cloth, top table Manhattan, San Francisco, Chicago and Miami. We are not really targeting America—we are targeting cities. It has been very successful.

We will do the same in the far east—it will be city targeted. We have learnt that approach through our collaboration with Scotland Food & Drink, with the people who are out there in the market examining how you drive a marketplace. It is not about going into a country and spreading yourself thin; it is about deep penetration into specific markets. That is what we have done—successfully.

**Peter Chapman:** I would like James Graham in particular to comment, because he has a slightly different perspective from the rest of the panel in that he represents quite a range of co-operatives across Scotland. How valuable do you find the organisation? What can we do better to address the problem that Scott Walker raised, which is that not enough of the benefit from the success is

coming back down to primary producers? That is a huge bit of the question for me.

**James Graham (Scottish Agricultural Organisation Society):** There is potentially a lot of ground to cover there. When Scotland Food & Drink was created, it was partly born out of a frustration among all of us—we felt that it was a constraint that we were not working together. We were trying to do some of the same things in the same places but we were not actually speaking to each other. Simply by bringing it together, we created something that is much more than the sum of its parts. The results over the past 10 years have proven that time and again.

I still regard the body as being in the fairly early stages of what it can achieve. I think that Scotland Food & Drink is essential in terms of aligning policies and resources and in enabling us to set some bigger targets and go for some bigger things that we would never have dreamt of before, so it is really important.

In terms of collaboration in another sense—in the context of supply chains and farmers—our objectives are twofold. We want the most competitive, efficient supply chains from farm to retailer or the export market, or whatever the outlet is. That requires the different parts of the chain to work together and communicate together, de-risking for each other what they are doing in their investment plans. It requires collaboration. It has been proven time and again that collaborative chains are the most competitive.

We also have the opportunity for collaboration among our businesses horizontally, as Scott Landsburgh described, to pool resources to tackle export markets or whatever the market is. In Scotland, we have a large SME food and drink sector and the opportunities and the gains for small and medium-sized enterprises are exponential if we can get them to collaborate a little more.

The other aspect, which Scott Walker has touched on, is that as well as the most efficient supply chains, we want the optimal connection of farming with the rest of the supply chain. The connection is suboptimal at the moment in many cases, although not in every case. We want that better connection because we want more certainty for farmers in their investment planning. We want risk reduction and a fairer share of the value of the market for farmers. All those things cannot be achieved if farmers are isolated from the rest of the chain.

A number of factors need to be addressed. On the practical side, the importance of data and digitisation to link the biological and the physical and the supply chain is greater than ever. That potential is there. Many parts of the chain have a



lot of data, but they do not speak to one another and are not joined up. In food businesses and farms, the management resource to take on the job lacks those skills. We cannot do any of it without trust and relationships, which have to be present in the chain to make a difference.

Thirdly, I raise the issue of facilitation. Among some, there is reluctance and simply a lack of management capacity to take on the role of creating a collaboration that moves beyond transactional relationships. We need honest brokers to do that task.

I pause there; I could go on.

**The Convener:** We can see the passion coming through, but it may be the right time for a pause. We will move to the second theme, which John Finnie will take on.

**John Finnie:** Good morning, panel. Quite a few elements have already been touched on. I was particularly taken with Mr Withers's model of collaboration and responsible growth and his use of the much-used word "sustainability". What is the relative importance of the the Scottish market, the rest of the UK market and the international market? I am particularly keen to know about efforts to encourage home consumption.

**James Withers:** We have touched on exports, and the building block and foundation of exports is a strong home market. For every £1 of food and drink that we sell internationally, we sell £2 of food and drink in the UK, although those figures are slightly skewed by whisky. Once we take that out of the equation and look at food alone, we see that, for every £1 of produce that we sell internationally, we sell £4 or £5 of produce in the UK. Our domestic market in Scotland is critical, and we need to do more there. In particular, we are looking at how we, as an industry, can tie in more closely with tourism and ensure that food and drink are a major part of the visitor experience in Scotland.

We need more companies to do business elsewhere across the UK, beyond the Scottish border. A lot of Scottish companies sell to 60 Asda stores, but they have the potential to sell to 600 stores across the UK. In the mix between Scotland and the UK, in domestic consumption, for every £1 of product that we sell in Scotland, £3 or £4 goes south of the border into the rest of the UK. We have deliberately focused on the Scottish, UK and international markets—it is similar to Scott Landsburgh's point about salmon exports to the US taking a four-city approach. In the UK, there is a specific opportunity in London because of the size of its population, its high-end markets and its premium. The demographic in London—particularly the younger element of the population—has a good perception of the quality

of Scottish products. In Scotland, we can do more through the connection to tourism, our visitor attractions and elements of public procurement.

We do not have a large amount of product; therefore, for a mass volume of product, Scotland is not the place to come. We need to focus on the markets that we want.

**John Finnie:** You have again touched on the issue—

**The Convener:** I am sorry to interrupt, John. Before John Finnie continues, does Patrick Hughes want to come in on the seafood aspect, to answer John's question?

**Patrick Hughes (Seafood Scotland):** Scott Landsburgh and James Withers have spoken at length about the international collaborative work, but collaborative efforts are going on at the UK level as well. Seafood Scotland is working closely with Scotland Food & Drink to target such key areas as London and the northern powerhouse area including Manchester. We are working with the likes of craft brewers to link seafood and beer to key influencers and buyers, with things happening in June. The local advisory service, connect local, links local buying opportunities to local markets Scotland-wide.

**John Finnie:** I was going to touch on that, as there is talk of regional showcase events. Can anyone comment on those? I understand the desire for growth in other areas, but I am keen to know how local food production and consumption can be maximised.

**James Withers:** We have learned about the success of those events over time. A big national event called showcasing Scotland happens every two years and will be held this year on two or three days in October. We bring in about 90 buyers from 20 countries around the world and about 50 or 60 buyers from the UK, and we put them with 120 Scottish companies. Over 36 hours of one-to-one, meet-the-buyer appointments, we secure sales of about £30 million to £40 million.

We have done that because we saw the Irish do it well—we have been fairly blatant about looking at models that exist elsewhere. The New Zealanders have run that sort of model for a while, too. We have developed that model on a national level, for export markets and UK markets, and we have thought about how to replicate it in local areas and drive local food networks and regional and islands food development. For example, if we were to run showcasing Highlands, how would we get all the restaurants, the top hotels and the visitor attractions in a room with key local suppliers and build those connections?

In our experience—the connect local service would emphasise this point, I think—a lot of local

suppliers are keen to supply to local outlets, and those local outlets now increasingly get the value of sourcing items with a local provenance. Not enough local outlets are doing that at the moment, but there is a growing body of them that want to do it. However, there needs to be a catalyst to bring them together. That is the principle behind the development of such events. We might run events such as showcasing Highlands, showcasing Lothians, showcasing west Scotland or whatever over the next two years.

**Patrick Hughes:** It is not just about bringing the buyers together; we are building the capacity and capability of those businesses alongside that. We will, therefore, run a series of workshops for businesses that are interested in supplying locally to ensure that they have skills in negotiation as well as in other areas that are associated with profitability.

**John Finnie:** It is good to hear a mention of small and medium-sized enterprises—Mr Graham also referred to them—because they are the hallmark of Scotland. Taste of Arran is often cited as an example of the manifestation of success in that regard. I appreciate that there is an issue with higher-level production, but is Taste of Arran a model that you could see being replicated elsewhere?

**James Withers:** Arran is described as Scotland in miniature, and it probably represents the Scotland Food & Drink principles in miniature, too. Taste of Arran brought together 13 producers that collectively invested in one managing director who, I think, is at a trade show in Thailand at the moment, selling Arran products. It has connected well with tourism, too. For example, in the ferry waiting room in Ardrossan, passengers are able to read a food and drink story, so visitors get warmed up for what to expect before they land in Brodick.

That kind of geographical collaborative work is happening elsewhere. For example, Shetland is starting to develop a stronger profile, and there are organisations such as Taste Orkney, Taste Ayrshire and Taste Perthshire.

The other element of collaboration is not geographic but sectoral. Patrick Hughes referred to brewers. The number of independent brewers has trebled in the past five years and they are now working collectively. Five years ago, if you had asked one of them who the competition was, they would have said that it was the brewer around the corner. Now, they recognise that the competition is in Australia, America and so on, so they are working collectively to raise awareness of craft beer from Scotland, which will, they hope, create a rising tide that floats all their boats.

We are seeing that in a number of sectors. For example, we have only between five and eight

producers of rapeseed oil, but they are now collectively raising awareness of the product by jointly investing in websites and working with chefs. That kind of collaborative ethos represents a total culture change that has taken place over the past few years.

**James Graham:** There is fantastic potential for more of that work to go on. Another kind of collaboration can be seen on the streets now in the form of farmers markets, which did not take place 20 years ago. Farmers markets are, in some ways, the forerunners of SME and local food collaboration, and we can unlock a lot of potential if we can figure out the best way in which to develop farmers markets.

**John Finnie:** That is certainly good news.

**John Mason:** There has been little mention of skills so far, but that is the area that I want to examine. Aside from the sale of products and so on, what developments and challenges have there been in the sector over the past 10 years with regard to its having sufficient people with the right skills?

**David Thomson (Food and Drink Federation Scotland):** The issue of skills is a huge challenge for the industry, as it is in all industries. Skills Development Scotland carried out work on a skills investment plan and estimated that there will be 27,000 job opportunities in the food and drink sector over the next 10 years in every role from food operators to managing directors and technical specialists. That shows that there are jobs there, but it also shows that we face an enormous challenge in getting people to take up those jobs.

In January, with Skills Development Scotland, we launched a skills investment plan for the food and drink sector that involves a number of initiatives to support ways of trying to fill that gap. In partnership with a lot of different organisations, we run quite a lot of food education work that is supported by the Scottish Government. That ranges from education on growing and cooking food to our work on careers in the food industry. As part of our future in food careers plan, we work with local schools to connect them with local companies, and there are a number of partnerships around Scotland as a result of that work.

10:45

We also inspire teachers and have been undertaking continuous professional development with teachers in certain geographical areas. We are currently doing some work in the rest of Scotland—

**John Mason:** Is that mainly in rural areas?

**David Thomson:** No—it takes place all over Scotland.

Going back to my point about our future in food careers work, we support the Scottish Qualifications Authority to develop the curriculum and design food science and technology exams that people can take from third and fourth year of school all the way to university level, to try to fill some of the skills gaps and make career progression easier for people who want to work in the food industry.

**John Mason:** If you are talking about doubling your turnover, you would potentially need a huge number of people—although you might not need to double the number of staff—across the fish, brewing and food sectors. We have heard concerns that, following Brexit, we might not be able to pull people in. Where are the big concerns going forward?

**David Thomson:** You have hit the nail on the head in referring to the workforce and Brexit. For us, the number 1 issue is the status of the people who work in our food factories across the UK.

**The Convener:** We will come on to Brexit later, so John Mason may want to store those questions up rather than steal somebody else's thunder. I think that Scott Walker wants to come in.

**Scott Walker:** I want to return to the issue of people and skills. An interesting development in curriculum for excellence is the opportunity for pupils in fifth and sixth year to take part in a low-level apprenticeship scheme. We are working with the likes of Skills Development Scotland and schools to give pupils an opportunity to experience working on farms and in the rural community to find out what the work is like. We hope that the scheme will also showcase the farming side and, further on, the food and drink industry. The industry has to talk up such opportunities more as we move forward.

Traditionally, jobs in farming and in the food and drink industry have not been the careers of choice for many. Nevertheless, given the growth that will take place in the food and drink industry, we can show people the range of jobs that are available and talk about how they can start in one place in the industry and move throughout their career. That aspect will be increasingly important.

**John Mason:** Will you be able to persuade young people in the cities to think about those careers if they do not live near a farm?

**Scott Walker:** That will be difficult. The logistics of getting people from their home to the farm will always be difficult. However, there are plenty of farms around the edges of any city in Scotland, including Edinburgh, and farmers will want to work with local schools. We need to build those

connections. The core ethos of Scotland Food & Drink is about trying to break down those barriers and get people working together. We have not done that in the past, but there is an opportunity to do it in the future.

**Gail Ross:** I have written down a question about developing the young workforce. Are those the opportunities that you are talking about? Are you referring to foundation apprenticeships that take young people out of school and, as you say, put them on a farm or in a hotel kitchen with a chef? We are doing something similar in the care sector. Are you actively looking at that approach in the food and drink sector?

**Scott Walker:** Yes. There are two steps. The foundation apprenticeships that you mentioned are new to the curriculum, and they are new for farming—we have not previously been involved with them. One difficult barrier that we have to overcome is the fact that, in general, farms are microbusinesses: they are not the same as a big food-processing company with a human resources department that is geared up to work with schools. We need to facilitate those partnerships and work together with groups of farmers to show people that farming is not as scary as they might think and that there are opportunities.

Probably the first thing that people say is that it is going to be too difficult, especially if they do not know anyone who is doing it and they have no experience to draw on. Therefore, we are looking at different areas to see whether we can get a couple of test pilots up and running. One good thing about the farming community is that it talks. If we could get a scheme up and running successfully in one area, people would talk and we could, I hope, develop it elsewhere.

**John Mason:** My final point is about the phrase “Coherent and joined-up education programme”.

You talked earlier about selling things together and working together. Would a career in salmon farming not be very different from a career in a brewery? How would you join them up?

**David Thomson:** Yes, those careers can be different but a lot of the skills are transferable. A lot of the key skills in food science and technology, such as microbiology, are transferable. In our careers, we see lots of people who have had varied careers in the food industry and have hopped around the different sectors. A lot can be done collaboratively.

**The Convener:** Stewart Stevenson will take up the next theme.

**Stewart Stevenson:** To pick up on what has been said, I will give you a brilliant example from my constituency—Billy Gatt's Rockfish fish and chip shop in Whitehills. It supplies seed potatoes

to the primary school that is 300m away. The pupils grow them, the potatoes come back to the chip shop and are then used to make chips, and the kids come to see their products being used. Sometimes it can be toatie wee things that make a difference—that project is terrific in its community.

In the supply chain, there is a clear contrast between the ownership structures and integration from salmon farm to plate, processors and retailers, and what is missing in farming. Is that absence of a vertically integrated chain broadly why farmers are not getting a fair shout and a fair contribution for their efforts? Generally, in salmon farming, a reasonable share of the benefits goes back to the primary producer. Is the contrast that I am trying to make fair? If it is, what can we learn?

**Scott Walker:** That is a complicated subject. The one thing that I will highlight is that wherever you are in the world, it is difficult to get a good return as a primary producer.

Scotland is not unique in that respect. We do not have a good tradition of vertical integration in the primary sector here, but we do see it developing in some areas. I highlight the pig producers, for instance. That integration was born out of the disaster of the closure of the main processor in Scotland. From that came an initiative in which the pig producers here worked with an overseas company in an abattoir in Brechin. The producers now have more ownership of the production line and the product that goes to market. An industry that was contracting for many years is now in expansion and is looking for new pig producers to increase production over time. I know that James Graham of the Scottish Agricultural Organisation Society has been heavily involved in facilitating that initiative and making it a reality. That is a success story that we can build on.

On the other side, I would look at the livestock side—the cattle and sheep industry in Scotland. It is by far the biggest part of our agricultural industry; roughly three out of every five farms are involved in that sector. Vertical integration is not at all common in that industry.

The difficulty is in how we move that forward. How do we create a situation in which farmers can work hand-in-hand with processors and identify a market? Ultimately, the best scenario for me would be for the farmer to hold the contract: the farmer would hold, say, the export contract to a different country. He would get a contract kill done and export the product abroad.

**Stewart Stevenson:** I have sort of made the proposition that that vertical integration would be good and helpful. Can you say directly whether you think that it would be? It might work for some, but would it be helpful?

**Scott Walker:** In principle, yes it would, although I could not say that vertical integration would be the solution in every case. It does not guarantee a better return, but it would be a good step forward for most parts of the industry.

**Stewart Stevenson:** Let me take that a bit further. Given that this meeting is being held in Parliament and we are parliamentarians, are there inhibitions or difficulties that the Government and we as parliamentarians should be engaging with to break down barriers to the industry being more successful? From the top to the bottom, what are we doing that we should stop doing?

**The Convener:** I will bring Scott Walker back in, and then I will go to the other end of the table and bring in Scott Landsburgh, because the question also relates to what happens in his industry.

**Scott Walker:** First, more could be done to encourage producer organisations—groups of farmers working collectively so that they have the power to negotiate contracts elsewhere in the supply chain. Not enough has been done on that.

Secondly, the Government could do two things to help with investment in processing capacity. Where there is a grant scheme for that, there should be conditions on grants that encourage more collaborative models in which people work more closely with farmers, and greater emphasis should be placed on farmer co-operation. In recent years, stuff has happened in the cereals sector, such as the investment in Montrose, that was essentially farmer based. We are coming from a small scale and we have a long way to go to catch up, but some targeting could help us to make leaps and bounds.

**The Convener:** Some producers seem to have more vertical integration than others. Does Scott Landsburgh want to add to what has been said?

**Scott Landsburgh:** I am taken by some of the things that Scott Walker has just said. His suggestion that there should be more producer organisations is a good idea, and I support the premise. I do not know enough about his sector to comment further, but I will pick up on a couple of things that he said about pig farmers. He said that the sector was “born out of ... disaster” and he talked about consolidation and contraction. That is fundamentally the history of Scottish salmon farming; it is what happened 17 years ago. Following the disaster at that time, there was significant consolidation—I am talking about horizontal as opposed to vertical integration—to the extent that we now have only seven salmon farming companies of real scale in Scotland, two of which are indigenous Scottish companies.

The sector works efficiently and there is vertical integration that undoubtedly gives the primary producer a return. We have great examples of

vertical integration right through to retail. One of our high street retailers sets the product specification for the primary and the secondary producer before the product hits the shelf, and that includes the packaging and what is put on the label. In that example, there is complete vertical integration, and it is very successful.

However, the other side of that—I note that we are sitting in the Scottish Parliament—is that a lot of that is due to inward investment from abroad. Do we have the capacity? For a start, do we have the appetite for the risk? Going into large-scale primary production involves significant risk, and that was the cause of the consolidation in salmon farming in Scotland 17 years ago. Someone who establishes an average-sized salmon farm in Scotland will get no change out of £4 million, and it will take them at least two and a half years to get a return on that. It is quite a challenge.

Stewart Stevenson asked what parliamentarians could do to help. Through Marine Scotland, we are already talking to the minister about speeding up the planning process, which is one of the things that would help us in primary production. We have a model that works, but would you like to transfer it completely to the arable and pastoral sector?

11:00

**James Graham:** An initial answer to Stewart Stevenson would be that vertical integration is desirable, but not essential. We also have to think about where we are starting from. If you look around Europe and the world, the model of vertically integrated farmer co-ops is the norm in many countries, particularly in dairy farming. On mainland Europe, it is the normal model. However, when we examine how they created those co-ops and consider whether we could replicate that today in the UK, it seems that the best way to do it would be to have started 100 years ago and to have 100 years' worth of accumulated capital.

In the middle of the previous century we had statutory marketing boards in the UK, which removed the need for farmers to invest themselves. We are now trying to catch up with what others have done. The question arises whether we can come up with the capital to compete with businesses that have been around for 100 years.

I was a non-executive director of a vertically integrated co-op in Scotland. The owners ultimately sold the business because they could not keep pace with the capital requirement for secondary value-added processing. It is a common problem. There are a number of co-ops in primary processing, bringing the farm product together, doing the initial work and then selling it on to the next guy in the chain. It is that next step

in the chain—the secondary processing—that is really capital intensive and in which the capital requirement never ends.

In Ireland, one of the big dairy co-ops separated its primary processing from its secondary processing, which became a public limited company, because it is much higher risk and requires higher capital investment. The primary processing stayed in the co-op, which owns shares in the PLC. Scott Walker was right to say that the situation is complex.

**Stewart Stevenson:** I have one final question.

**The Convener:** You can ask that now and James Withers can answer it as part of his response to the other question.

**Stewart Stevenson:** My final question is on the supply chain and is probably directed at Patrick Hughes. We have an odd situation in seafood in that we do not have enough of the stuff that we catch landed to supply our processors, so we are importing lots of other people's. Is that an opportunity lost for us on both sides of the equation?

At present, the catches are extremely good, but that has not always been the case. Processors are finding life harder. The problem must be in a different bit of the chain. What can parliamentarians and the Government do to help?

On Ireland, 30 years ago, my wife always bought Kerrygold butter, but now she buys Graham's. I wonder why.

**The Convener:** As the question was directed to Patrick Hughes he might like to answer it. I will bring James Withers in on another question.

**Patrick Hughes:** Stewart Stevenson is right. Five or six years ago we could have flipped the equation and said that the catching sector was suffering badly, and the situation was quite favourable for processors. Processors face potential issues at the moment. James Withers and everyone else has alluded to the fact that capital investment is difficult in a business of scale, which may be excluded from grant schemes such as the European maritime and fisheries fund. Businesses are also currently suffering due to rates.

We need to reach some form of equilibrium in which we get a fair return to the catching sector and processors are able to purchase fish from local markets.

**Stewart Stevenson:** Forgive me, but you are describing the problem. Do you have solutions that you would like to put to us?

**Patrick Hughes:** That is what we are trying to work up at the moment. We are looking at the ambition 2030 strategy and the aquaculture

strategy to see where the seafood sector fits in, so that we can come up with a strategy of our own. That is out to consultation at the moment and we are engaging with all the key sectors to try to move that forward.

**The Convener:** We will move on to the next theme.

**Jamie Greene:** Before we continue, may I put a question to David Thomson? Can you explain what the Food and Drink Federation Scotland is and how it relates to Scotland Food & Drink?

**David Thomson:** I am the chief executive of the Food and Drink Federation Scotland. We have a Scottish board, but we are part of the United Kingdom Food and Drink Federation, which is the biggest association for food and drink in Great Britain. We have in Scotland a Scottish team and board, so we have autonomy within the UK structure. We are a trade association: a membership association of food and drink manufacturers. We have been a fully paid-up member since day 1 of Scotland Food & Drink and, like my colleagues here, I sit on the executive board. Some of our members are members of James Withers's organisation and other organisations represented here, and some are UK companies that manufacture in Scotland, such as Nestlé.

**Jamie Greene:** Thank you. That is very helpful. One of the key pillars of the 2030 strategy is innovation, so I wonder whether we can delve into that a little more. The "Ambition 2030" document uses words and phrases such as "collaboration", "raising the profile" and "single gateway", which are often perceived as being jargon. Can you therefore give us some examples of what you are doing to drive innovation?

**James Withers:** I will start on that. There is a danger in creating such documents of ending up with jargon bingo. I accept that the document has a bit of that. Innovation, in many ways, is the ball game for us. What is happening in the food and drink market in terms of consumer appetites and how people buy the global population stuff is changing at such a rapid pace, and we need to evolve with that.

I will give an example of the kind of thing that we are doing. If, about a year ago, a food and drink company or, indeed, a farmer was looking for support to innovate in types of products, staff or processes, about 150 different support tools that they could tap into existed across different agencies in Scotland. Most people looked at that and thought, "Well, that's just a maze. I'll never navigate that. I'll go back to the day job." Innovation then became a thing that they looked at doing somewhere down the line.

We are launching a new service, which we have been involved in as a Scotland Food & Drink project, called "Make innovation happen", which has one number and one website. People can go there about any type of innovation that they are interested in, and they will be guided through the process. That gives quite a good picture of what has happened in our world over the past 10 years. Not much was happening 10 years ago; most companies said that not enough was happening in food and drink in Scotland. However, there is often the criticism now that there is so much going on that it is difficult to navigate it all. A key part of what we need to do is to streamline that landscape. The "Make innovation happen" service is an example of pooling various support tools in one place and having a single gateway, so that companies—farm gate, fishing boat or a manufacturer with a factory floor—have one place to go that can steer them through what was previously a maze.

Beyond that, the big priority is to get more and more food and drink companies to consider seeking academic and research solutions for their problems, and to get more and more academics and researchers to think about applying their solutions to food and drink industries. It is about creating an interface, or bridge, between business and academia: we are blessed with world-leading institutes that we have probably not taken best advantage of.

**Jamie Greene:** So, a lot of the success of the past decade has been because of the emergence of new industries and products—for example, craft beer and gin distilleries. Where do the opportunities lie for potential new product areas that Scotland could expand in, based on our natural resources, climate, skills and expertise? Are there any fledgling food and drink industries that you think will boom over the next 10 to 15 years?

**James Withers:** I suppose—

**The Convener:** Can I just interrupt? I remind witnesses that if they want to comment, they should catch my eye. James Withers is very quick at catching my eye and launching straightaway before I can get to anyone else. If anyone else does want to come in, please let me know.

**James Withers:** I apologise, convener, and I will restrain myself.

Part of what led to "Ambition 2030" was about a year's worth of research. Unusually for a small country, Scotland's strength is the diversity of its products. Norway has seafood, Denmark has intensive livestock and New Zealand has very strong dairy and lamb products. However, Scotland has an incredible range of products, which is its strength.

Our view is that we should not back one horse; there are a few trends. An example is the health trend and people's desire to think harder about their food choices—where their food comes from and the debate about diet and nutrition. Paradoxically, despite Scotland's domestic challenges with diet and health, it has one of the healthiest natural larders in the world—from cereals to lean red meat to soft fruit and vegetables. There is a real opportunity to tap into the trend and sell the health message.

The other trend that is a gift to Scotland is the interest in provenance and where food comes from, which means different things to different people. In China, they want to talk to us only about food-safety controls; in Japan, they take food safety for granted, but they want to talk about environmental controls; and in the US, they like the heritage story about the expats and the history. There are different issues in different markets, but using those trends to drive growth is relevant whether you are a craft brewer, a seaweed manufacturer or a mainstream livestock or fish producer. We know that the trends are here to stay.

**The Convener:** Everyone put their hands up then, so that may have been a dangerous thing to say. I will start with Scott Landsburgh and then take James Graham and then David Thomson. I ask you to keep answers succinct.

**Scott Landsburgh:** In the salmon aquaculture industry, innovation is now a high priority. The Scottish Aquaculture Innovation Centre was established three years ago with funding from the Scottish Further and Higher Education Funding Council. The Scottish Government backed it, and for every £1 of public money that has been invested, £3 has come back from industry, so it has been a worthwhile return for public money. What has it achieved? It is well documented that we have a risk of impact of biological threats, which is another name for sea lice—I am sure that you have read about it in your Sunday newspapers. We are looking to move into new production models with more exposed sites and more onshore SuperSmolt production to give the salmon a shorter time at sea and shorten their exposure to lice. Last year, we invested £55 million in new non-medicinal approaches to sea-lice management; we are taking the problem seriously and expect to start rolling out innovation in design and development of our new sites.

The spin-off is the commercialisation of Scottish innovation. We can export Scottish know-how. We have a world-class facility in the University of Stirling's institute of aquaculture. We already export our know-how around the world and we will see that increase over the next few years.

**James Graham:** I come back to the primary sector and its connection to the supply chain. We have talked about the need for innovation. The point is to incentivise the behaviours that we wish to see: innovation combined with collaboration.

Precedents include the EU fruit and veg regime, which provides a grant for innovation programmes that recognised producer organisations can implement. That grant has transformed Scotland's soft-fruit sector into a superstar sector. A similar scheme—although not nearly equivalent—is the knowledge transfer and innovation fund grant scheme, which is available to all farmers. It is now beginning to address difficulties that we have in the chain, such as seasonality in lamb—how to supply it year-round to supermarkets—and how to apply lean management techniques to dairy farming. However, we do not have general incentivisation available across all sectors at anything like a meaningful level. My answer is to incentivise the behaviours that we want to see by supporting and focusing assistance on collaboration with innovation.

**David Thomson:** I will highlight two things on innovation. The first is the make innovation happen service that James Withers mentioned. That highlights the fact that innovation is not just about new product development; it is about processes, human resources or anything. It is an important tool for businesses to use.

The second thing is the wealth of academic expertise that we have in Scotland. I was at the launch yesterday of the new food science and technology labs at Abertay University. They are a fantastic facility—there was a £3.6 million investment to provide great facilities for the use not just of students but of businesses. There are similar facilities at the new Rowett institute building in Aberdeen, at Queen Margaret University and in other places. There has been a huge amount of public sector investment in the area.

11:15

**The Convener:** We will now go back to a subject that some witnesses touched on earlier.

**Mike Rumbles:** The subject is Brexit and uncertainty. We are leaving the EU, and we could also be leaving the single market and the customs union. We could have trade barriers for our food exports, and I do not just mean tariff barriers—I mean physical delays in exporting our food and other exports to Europe. How are you gauging and dealing with the risks to our food and drink exports to Europe?

**The Convener:** That will go across witness interests. I ask James Withers to start, but others may want to contribute.

**James Withers:** It might be helpful to start by putting the issue in perspective. At least that will help me to get my head around the subject. Last year we sold £5.5 billion-worth of food and drink beyond the UK, and 40 per cent of that went to the EU. Of that £5.5 billion, £4 billion was whisky, so I put that to one side. Of the £1.5 billion-worth that was food, 70 per cent went to the EU—it is a critical market for us.

From a trade point of view, to reach no deal would be a bad deal. In part, that is because, out of all the 5,200 World Trade Organization tariffs that there are, food gets hit the worst. There is a big variety: in Scott Landsburgh's sector the tariff is perhaps 2 per cent on fresh salmon and 13 per cent on smoked salmon; one of our other partners, Quality Meat Scotland, would tell the committee that, if we defaulted to the WTO tariffs, the price of Scottish beef would increase by somewhere between 50 and 100 per cent. The debate would not be about growth; it would be about hanging on to what we have got, which would be very difficult.

How do we tackle that? One way is by ensuring that the food and drink sector is recognised as a priority. I hear a lot of talk of aviation and the automotive sector but, in the UK, food and drink manufacturing is worth more than both of those combined. We need to make absolutely sure that trade deals with Europe are the priority, and that food does not become a bargaining chip that we hand away in third-country trade deals beyond Europe. From what I have seen, most other countries that want trade deals with the UK want access to the UK for their people—which will be a challenging debate, given that immigration has driven Brexit—and for their food. We need to be mindful of that.

How do we address that? A lot it is outwith our control, beyond making the point that farming, fishing and food and drink have to be prioritised in the Brexit negotiations and third-party trade deals. We need to be better at spreading our markets and at risk management. The reason why Brexit is least scary for the whisky industry, although it is still concerned, is that, as well as not facing a tariff, it is already dealing with 180 countries around the world.

We have too much business in too few hands. Scott Landsburgh mentioned the export profile that we now have, with 11 trade staff in 11 cities around the world jointly funded by SDI, the Government and the industry. Eight of those are in cities beyond Europe. We need to do more trade there, because there will always be political barriers, whether those are Russian import embargoes, a change in Chinese regulations, Brexit or another eurozone crisis. We need to make each of those crises a little less scary by

spreading our market. Investing in markets elsewhere is critical to managing the risk.

In the Brexit negotiations, we need food and drink at the top of the priority list and we need to recognise that it is going to be all about trade, access to skilled labour and the future of funding, for the primary sector as well as for manufacturing.

**Patrick Hughes:** I agree with everything that James Withers said. From an industry point of view, we have already seen that a lot of businesses are taking notice and trying to spread the market risk by looking at newer markets outwith Europe, while not underestimating the importance of the European market.

**Scott Landsburgh:** We export a perishable product with a short life. James Withers mentioned the financial tariffs that we would potentially incur if we had a WTO relationship but, believe it or not, that is not such a significant concern. Our concern is about non-financial barriers—in other words, pieces of paper relating to consignments. We want the approach to be frictionless. We have just gone through an exercise with the Chinese authorities on that. As James Withers said, the Chinese are, for historical reasons, paranoid about food safety. We now get electronic consignment signatures in Scotland—that caused a bit of a resource issue for local authorities, but they have resolved it now—so that we can get our salmon into the Chinese market within 48 hours. We need to do that. The European Union is 39 per cent of our export market. If we can get salmon to Manhattan in 24 hours, surely we can get it to Paris in less than that. However, we will not be able to if we have non-tariff barriers that demand that lorries are stopped at sea ports and airports to pass over bits of paper. Currently, the EU customs union ensures that that does not happen, and we want that to continue.

**Scott Walker:** It is worth saying that, for primary producers, Brexit has initially been positive, because the pound has weakened, which has made imports more expensive and made our exports more attractive. At present, there has been a lift in primary production.

There is a different impact on different sectors. I will highlight two sectors and then say something that we could do in the short term to deal with some of the volatility. Roughly, the beef sector in the UK exports as much as we import into the UK. If we cannot export to Europe because tariffs are put in place, the situation might be neutral to positive for the beef sector, as long as we put in place the same tariffs in the UK. However, that relies on there not being a one-way trade deal. We might not be able to export to Europe, but the UK Government could open up our doors and allow food to flow in here. Therefore, for beef farmers,



looking ahead is all about what the UK Government will do about tariffs in this country.

However, for sheep farmers, the situation is a disaster. Approximately 60 per cent of the product goes to Europe. For the sheep industry, if tariffs go up in Europe, prices will plummet, as there are no other markets that we can realise overnight. That highlights the differences in the sectors.

What can we do in the short term to mitigate the effect of some of those factors? We need to invest in the Scottish and UK markets to try to drive more home consumption of the product to deal with that volatility. At least here, we should be stoking up and maximising the opportunity to sell products in the UK. For the long term, as other speakers have said, we have to guard against agriculture and food being used as one of the big bargaining chips when trade deals are made. The issue is not just that there might be a deal in Europe, say, for financial services and that agriculture and food might be sold down the river; it is also about what happens when the UK looks to see what deals we can do around the world.

We have a fantastic industry that stretches to every corner of Scotland, but people do not necessarily totally appreciate it or see it. If we sell ourselves short here, we will sell off one of the big wealth generators and job creators in the Scotland of the future.

**The Convener:** Peter Chapman has a brief follow-up point, and then we will go back to Mike Rumbles.

**Peter Chapman:** I have one thing to say to Scott Landsburgh. He will know the market better than I do, but my opinion is that, if we can get salmon into the American market in 24 hours and we can sell salmon in the Chinese market, I would not be too scared about selling into the European market. That is just a comment.

On the priority of getting tariff-free trade in food and drink, some of our best allies are the southern Irish, because they are desperate for free trade into our marketplace. They are battling in exactly the same direction as we are in trying to get free trade across Europe. Their agriculture industry would be decimated if it was much more difficult for them to export to our market. I just make the comment that we have allies out there who are looking for the same sort of deal as we are.

**Mike Rumbles:** Correct me if I am wrong, but I think that you all agree that we need a trade deal. When we are looking at trade deals, it is about getting a trade deal within the agricultural sector, rather than trading it off against something else, such as the fishing industry. We are talking about a trade deal within the fishing industry, rather than trading that against another deal on manufacturing

or something else. Am I summarising that correctly?

**The Convener:** If Scott Walker wants to answer for the group, he may. I ask you to keep it brief, Mr Walker.

**Scott Walker:** Yes, that is a big concern. For the UK as a whole, food and farming are seen as less valuable than some other sectors, so we get traded away at our expense for the benefit of other sectors.

**The Convener:** We will move to the next theme, with a question from Jamie Greene.

**Jamie Greene:** I have two short questions. The first is for anyone on the panel who wants to answer. Is the current digital infrastructure in Scotland sufficient to help the food and drink industry to meet its ambitions and strategy, or is it at least heading in the right direction?

**The Convener:** Is there one panel member who would like to take on that question about broadband? I can see that you are all ducking. If Scott Walker wants to answer that one, I will let James Withers take the second question.

**Scott Walker:** It is very poor. In certain areas of Scotland it is still not up to scratch. Whether you are a farmer or a small-scale producer, the cost of putting in the necessary broadband capacity is just prohibitive. Are things improving? Yes, they are improving, but they are not improving fast enough.

**Jamie Greene:** Thank you for that simple reply. My next question, on a more positive note, is on the possibilities for the use of technology in general. There was talk about an e-commerce platform, and James Graham mentioned data sharing in the supply chain to improve efficiency and productivity. How might that platform work in practice? It sounds like an interesting ambition but quite a big one to implement.

**The Convener:** Perhaps James Withers could answer that one.

**James Withers:** A large part of the success of e-commerce in Scotland relates back to the first question about digital coverage. To add to what Scott Walker said, mobile connectivity and telecommunications are as important as broadband, although I appreciate that telecommunications are a reserved matter.

The amount of business that is being transacted online is huge and growing, and Scotland might be a little bit behind the pace compared with other countries. In a food and drink context, we have done work with Amazon, which is interested in exploring what a Scottish shop online might look like, but the existing third-party platforms take huge margins out of the chain, and in product

areas such as seafood there are not huge margins to be taken.

No country in the world has a national e-commerce platform for its food and drink industry, but could Scotland be the first? A large part of that is about building the e-commerce capability of individual businesses and building connectivity. That is a big aspiration, and there is now an e-commerce action group coming together in which Scottish Enterprise and Highlands and Islands Enterprise are involved, to discuss how to build the capability of companies to tap into that. Scott Walker talked about the Brussels seafood show. I mentioned the one in Thailand that is happening just now. There are 10 companies there. I would like the remaining 850 companies to be there on an iPad, so that they can trade there too. Other countries are looking at that idea, and it is not an aspiration that we should think of as beyond us, although a huge amount of investment, capability and awareness will be required to make it happen.

**The Convener:** We have quite a few themes still to get through and we are coming quite close to the time that we had allocated. I do not want to lose any of this, because it is important, but I ask members to limit their questions on each of the themes, and for the most appropriate person to answer.

11:30

**Richard Lyle:** Good morning, gentlemen. Scotland's food is fantastic. The salmon, in particular, is fantastic. However, Scotland's health is a worry. We can expect 40 per cent of us to be obese by 2030. Obesity is not just a health issue; it is a major risk to a productive economy. What would you suggest? Is the strategy supporting public health and tackling obesity? Is it right? Can it be amended? I will shorten my further questions and just ask you where you think we should target our effort.

**David Thomson:** Yes, obesity is a major problem, and an increasing one, not just in Scotland but throughout western Europe.

A lot of work is going on in the food industry to support reductions in calories and sugar. Also, the public are changing what they are buying. More low-calorie or no-calorie soft drinks are now being drunk than full-sugar drinks. Things are changing in a very positive direction. That is part 1—although there is still an enormous amount to do, and the food industry needs to play its part in that.

As I hope James Withers highlighted earlier, the strategy is very clear on responsibility, which includes a responsibility to the health of people who work in the industry and to the health of the nation. Collectively, we are very much up for having a clear compact with the Government and

others on the best things to do for the industry. That means considering whether support should be angled slightly differently, and it means that the industry will have to play its part, helping and doing what it can.

The reformulation targets that were set at a UK level are having a significant effect on categories and industries. Some of those targets will be met; others will be more difficult to meet. We do not want small and medium-sized enterprises in Scotland to miss out because they do not have the ability to reformulate. They might not have the technical skills or the consumer analysis, for instance.

We are working closely with the Scottish Government to see how we can support companies to reduce the calories, sugar and portion sizes of their products, but in such a way that consumers will still want to buy them.

**The Convener:** The next theme is for Gail Ross.

**Gail Ross:** I have been thinking all morning about how to formulate these questions. The best way is probably to be quite direct about it. I was at an event last night on sustainable food systems and the environment. Tim Benton from the University of Leeds and Chatham House was specific about what climate change and the increase in global temperatures would mean for our food-producing systems. If we double our turnover in the years to 2030, how will that impact on the environment? Why is there not more focus on climate change in the strategy?

**James Withers:** Sustainability is a key part of responsibility. Sustainability hits a sweet spot. It is essential for our future ability to produce food here. It is also part of the brand, and it is a selling piece.

I will use beef as an example. Many people will say that beef production is an environmental car crash, given the amount of water it uses and the fact that we are feeding grain that is edible for humans into the mouths of cattle. A billion people in the world are malnourished, so how environmentally sustainable is that? My view is that those who want to do beef production should come and do it in Scotland. We are not short of water and we are very good at growing grass, which we cannot eat, and turning it into protein. That is where Scotland's place within the sustainability agenda is very strong.

That said, there is more that we need to do. We could be more efficient in our use of resources. Much of that is driven by resources getting more expensive anyway, so why would we not be more efficient? There is more that could be done around sustainability, however, and we are keen to commit to making a contribution on that front.

Scotland has a strong advantage there, and salmon is a great example. The world needs sustainable protein. I think that 2015 was the first year when more farmed fish were eaten globally than wild-caught fish. Is that right?

**Scott Landsburgh:** Yes.

**James Withers:** That is one of the few areas in which Scotland can be a world leader. We are the third-largest producer, but we have been going backwards in terms of market share. Although there are biological challenges, we could be a world leader; there is real potential to invest in the sector in Scotland. Sustainability is critical as far as we are concerned, and Scotland can punch above its weight.

**Scott Landsburgh:** James Withers has given you an introduction. We are fully aware of the effects of climate change on salmon farming. For example, the algae that used to be indigenous to our waters is now off Greenland, and the algae that we now experience is tropical. That is not conducive to healthy fish, whether wild or farmed, in Scottish waters. The fact that we have faced a lot of gill health challenges over the past four or five years has been shrouded by the sea lice story. Those challenges are a consequence of climate change and warmer waters. I read this morning on the wires that sea lice numbers in Iceland are now at a record high, which is being put down to the sea temperature rising by 1°.

We are facing those challenges now, and we are spending an inordinate amount of money trying to deal with them. It is not easy, and the problem will not be solved overnight.

We have great potential in the world market. From a healthy food perspective, if someone has two pieces of oily fish per week, that will give them their omega 3 requirement. From the point of view of environmental sustainability, the amount of water that is used to produce a kilo of salmon is remarkably small in comparison with other proteins. The industry's carbon footprint is remarkably small, as is our physical footprint. If you were to put all the salmon farms in Scotland next to one another, you would get an area the size of three golf courses. That is the physical footprint of salmon farms in Scotland—it is not very much, considering that the sector is now worth about £680 million in exports to the country.

There are lots of good, sustainable things happening but, for us, climate change is a biological challenge. The marine waters in Scotland are changing, which is presenting biological challenges. As a consequence, we will develop many different styles of farming. We will probably go more offshore, but we will also have some enclosures in the sea.

**The Convener:** Gail Ross wants to ask a follow-up question, on the back of which I will bring in Scott Walker.

**Gail Ross:** I want to ask about reducing food waste. What contribution will the strategy make to reducing food waste by a third by 2025?

**Scott Walker:** I will answer both questions. To go back to climate change, I find it strange that, when it comes to the carbon emissions figures, we have agriculture emissions and land-use emissions. For us, land use is generally sequestration of carbon. Agriculture does not get any credit for that—it goes into the land-use figures. We simply get all the emissions from agriculture. Anyone who looks at the carbon emissions figures from agriculture should look at the land-use emissions figures, too—the two sets of figures should be combined.

The industry has a number of initiatives in place on climate change that are all about increasing the efficiency of agricultural production—for example, it has a bovine viral diarrhoea eradication scheme. Ultimately, that helps with our CO<sub>2</sub> emissions.

The other witnesses will come at food waste from a different angle, but I want to highlight a point about the waste that is generated between the farm and the processor. A lot of the products that are produced on the farm are totally fine for the processor, but because of the specifications that are in place, a lot of them are rejected. As an industry, we must look at how we change consumers' attitudes. People will not buy a Brussels sprout that is less than 20mm or more than 40mm in size even though, fundamentally, there is nothing wrong with sprouts that do not fall within that range. We also need to think about how, in the future, we can add value to those products that do not meet the spec.

**Gail Ross:** I have one more thing to ask.

**The Convener:** I am sorry, Gail, but we must move on to Rhoda Grant.

**Rhoda Grant:** We have heard about the profits of primary producers, but I point out that workers in the industry tend not to be paid the living wage. They do not have work opportunities that provide a sustainable income, and the work tends to be seasonal, which is why it is quite difficult to keep people in the industry. At the other end of the spectrum, we have people getting food from food banks, because food is unaffordable for some people. In the middle, we are saying that food and drink could be the primary profitable sector in Scotland. Someone is making money somewhere, but how do we tackle food poverty and, indeed, poverty, on the basis of those working in the industry?

**The Convener:** Scott, would you like to tackle that? It might give your colleagues time to gather their thoughts. Scott Walker, I mean.

**Scott Walker:** I was hoping that you were going to start with Scott Landsburgh.

Agricultural workers get paid the highest minimum rate of pay. The minimum rate of pay in agriculture is higher than that in the rest of the economy.

**Rhoda Grant:** But it is not a living wage.

**Scott Walker:** The Scottish Agricultural Wages Board set the minimum rate of pay for agriculture at the national living wage, regardless of a person's age, and there is a higher rate of pay for people who have more experience. I am not saying that there is not more to do, but we have a higher base rate that anyone else does. The problem in farming tends to be the low margins, which have an impact on the ability to pay more.

I come at the issue of the price of food from a slightly different angle, because my view is that food, for society as a whole, has never been cheaper than it is now. The percentage of people's disposable income that is spent on food now is lower than it has ever been. There is a wider societal problem with regard to people having the opportunity to progress and earn enough to enable them to purchase the food that is out there, but food, per se, is actually exceptionally cheap in this country compared with the position throughout history.

**Rhoda Grant:** There is profit here somewhere. Stewart Stevenson was talking about what producers get from basic production, but the workers' position is different. Their employment is seasonal. We talk about a crisis as a result of Brexit and the situation with migrant workers, who tend to be lower paid. The industry has to have a workforce that is well recognised and well recompensed for its efforts. The profit is coming out somewhere; it is a profitable industry, but that is not reflected in the prices or the wages that workers are paid.

**The Convener:** At Scott Walker's suggestion, I will go to the other Scott now.

**Scott Landsburgh:** I thought I would come in now just to help Scott Walker out—no, I am kidding.

The salmon industry does not employ a lot of people, because the work is no longer labour intensive. We are signed up to the living wage, and every farm unit is now a business unit of its own. Everyone is targeted on yield and everyone gets a share of profit from the business units, so there is an incentive in that regard. The basic farm worker is getting the living wage, but they are undoubtedly going to get some money above that,

which is an incentive to ensure that there is high productivity. That seems to work pretty well.

On the issue of profitability, I point out that this is a capital-intensive industry—we talked earlier about the frustrations around getting access to capital. In any sector, profit has to be sustainable. I fear that, in some of the political discourse in the UK in general, and in Scotland, profit is becoming a dirty word. Profit is not a dirty word if it is used properly. We have to realise that profit is there to maintain sustainability.

I take the point about ensuring that everyone has a decent living wage and decent incentives, which is the model that we try to work with. However, investors also need to get a return, or they will go elsewhere.

**Jamie Greene:** I will summarise a lot of what we have talked about today and look forward.

We know that the Scottish food and drink industries are supported by quite a wide range of public bodies and organisations at the local level and at Scottish Government, UK Government and even EU levels, with a variety of grants, loans and funds available to them. To bring it back to this Parliament, what should the top priority be for the Scottish Government to help the industry meet its ambition of doubling its value from £14 billion to £30 billion in the next 13 years? What should the Government's single top priority be? It can be a one-word or a one-sentence answer—I do not mind.

11:45

**James Withers:** Industry normally sits here and asks for more money and more support—I will make one suggestion on that in a second—but, strangely, the priority is a mindset thing. It is about the collaborative approach that says to industry that it can have the space to lead and set out the strategy and the Government will align its resources behind that. That sounds a bit soft and fluffy but, as a principle, it has been a total game changer. We have been given the space to say, "In export markets, these are the eight markets that matter. We only want to go there. Can you back us, please?" and that has happened.

We have talked a lot about supply chains and the one thing that I have learned is that you need honest brokers in supply chains to make things happen. If a processor wants to develop a more collaborative supply chain, farmers are suspicious. If the farmers want to drive it, the processors are suspicious. If retailers want to do it, everyone is suspicious. It makes a difference if you bring in an honest broker who works with them all. There is the work that the SAOS has done and now there is a new million-pound scheme launching around that. I think that we are scratching at the surface.

Does the committee review the draft budget each year from a rural economy point of view?

**The Convener:** Yes.

**James Withers:** There is £6 million in the food industry development budget. We are pretty happy with that because five, six or seven years ago, there was no budget for food and drink industry development. My one request is that the committee look at that. We would really value that, because although a lot of investment is going in from lots of different places, we need greater resource in that core fund that sits with the food and drink policy unit at the Scottish Government. That is what can drive more work in the home market in particular and more work on supply chain development. At the moment, the budget is £6 million. There is a £30 billion ambition. If we put more resource in there—even a doubling of that budget would still be tiny in the grand scheme of things—it could make a big difference in tackling some of the priorities that we have talked about, particularly around the supply chain.

**Scott Walker:** My concern is that we have a huge ambition to double the value of the food and drink industry in Scotland, but it is all based on there being agricultural production. If we do not have agricultural production, it will be very difficult to double the value of the entire industry.

We have powers coming back to Scotland around developing that agricultural policy role. I ask the committee to make sure that the agricultural policy that we develop here is focused on output—on producing more on our farms—so that we can achieve the ambition that is in the strategy.

**The Convener:** To sum that up, Scott Landsburgh has talked about increasing production; Scott Walker has talked about increasing production; and James Withers has talked about doubling turnover. Scott Walker has pointed out that the bottom line is that if we want to make more pounds, more product is required. That product needs to be sustainable, which has also been mentioned.

The problem is that industry seems to be hamstrung in the sense that agricultural output, not only for beef but for cereal, lamb or sheep production, has virtually flatlined in the past 10 years. Scott Landsburgh has talked about the fact that you are struggling to get any expansion in your industry, although there is a market out there for it.

I would like one suggestion from each of the producing areas about how to get more product to allow us to develop the huge turnover that you are suggesting the industry is capable of.

**Scott Landsburgh:** Specifically for my sector, it is about getting the planning and licensing process streamlined. We are on that journey now and I am quite hopeful, but it is taking time. The Scottish Government, Marine Scotland and the Scottish Environment Protection Agency are working closely with us and if we can get that right and we get to the right locations and control our biological challenges, we will get our production to the level that will double the value.

**James Graham:** My suggestion is simple: incentivise innovation, particularly at the farm level—that is the level in which I am interested—along with collaboration. Farming can respond to all the change drivers but we generally need to put the incentive in place to encourage that kind of behaviour.

**David Thomson:** Brexit will mean that the Government will have to pay much more attention to food than it has ever done. James Withers said that what has been built up over the past 10 years is soft and fluffy. It will not be soft and fluffy any more. It will be about how we produce food and how we manage regulations and trading arrangements. The Government needs to be resourced to deliver on that.

**Patrick Hughes:** We need to protect the wild catching sector and provide appropriate support to the processing sector to maximise that opportunity.

**James Withers:** Colleagues have talked about increasing production and supply. However, we need to keep increasing demand. We need to undertake market development activity in international markets and the home market. A big part of the growth will come from premiumisation. It will be value as well as volume. Therefore, developing the brand in those markets will be a key part of the growth.

**Scott Walker:** Ultimately, it is simple at the farmer end: farmers need a price signal; they need better prices. We need the supply chain to develop fair pricing throughout. Scotland Food & Drink exists to build that trust and develop better pricing throughout the supply chain.

**The Convener:** That was a long but extremely worthwhile evidence session. I thank all the witnesses for coming. If anyone feels that we have missed out on something, although I do not have the luxury of time to give them the chance to contribute now, they can, of course, write to the committee clerks, who will pass it on.

I suspend the meeting briefly to allow the witnesses to leave.

11:52

*Meeting suspended.*

11:54

*On resuming—*

## **Subordinate Legislation**

### **Road Works (Qualifications of Operatives and Supervisors) (Scotland) Regulations 2017 (SSI 2017/147)**

**The Convener:** Item 3 is the consideration of a negative instrument. Members should note that no motion to annul has been received in relation to the instrument and no representations have been made to the committee on it.

If there are no comments from members, does the committee agree to make no recommendation in relation to the instrument?

**Members indicated agreement.**

**The Convener:** That concludes today's committee business.

*Meeting closed at 11:55.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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