

**Minister for Transport**

**Briefing for Ministerial Visit to Islay**

|                            |   |
|----------------------------|---|
| <b>What</b>                | Visit to Islay to meet local community groups to discuss Project Neptune and visit transport projects and business.   |
| <b>Where</b>               | Port Ellen<br>Islay Gaelic Centre, Bowmore<br>Port Charlotte<br>Bruichladdich Distillery  |
| <b>When</b>                | 13 February 2023  |
| <b>Key Message(s)</b>      | <ul style="list-style-type: none"> <li>• Ministers committed to ensuring high quality transport links to Scotland’s islands.</li> <li>• Opportunity to discuss Project Neptune findings</li> <li>• No decisions taken, community views will be important.</li> <li>• Keen to discuss how we can improve ferry services</li> <li>• Want to see local transport projects and discuss resilience</li> </ul>  |
| <b>Who</b>                 | A range of stakeholders – see Annexes   |
| <b>Why</b>                 | An opportunity to see and hear first hand the views of island communities and business on how we make island transport services better. An opportunity to meet with those working on transport delivery and developing new projects to build transport capacity and resilience on our islands.  |
| <b>Supporting official</b> | [Redacted]  |
| <b>Briefing contents</b>   | <p><b>Annex A:</b> Itinerary<br/> <b>Annex B:</b> Travel on flightdeck Glasgow Airport to Islay<br/> <b>Annex C:</b> Visit to Port Ellen<br/> <b>Annex D:</b> Meeting with Islay Ferry Committee and Community Council<br/> <b>Annex E:</b> Project Neptune<br/> <b>Annex F:</b> Ferries Contracts<br/> <b>Annex G:</b> meeting with local community representatives at Port Charlotte Hotel<br/> <b>Annex H:</b> Bruichladdich Distillery<br/> <b>Annex I:</b> Islay Airport Visit</p> |
| <b>Media Handling</b>      | [Redacted] TS Comms is lead. TS Comms have issued a press release publicising the visit embargoed until Monday 13 <sup>th</sup> . This will be followed up appropriate social media on the day.   |
| <b>Social Media</b>        | TS Comms will publicise via social media channels.  |
| <b>Dress code</b>          | No special requirements although part the event will be outside so the Minister should come prepared for the weather.   |

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|--|---|
| <p><b><i>Greeting Party and specific meeting point on arrival (if event is at a non SE Building)</i></b></p> | <p>Officials will meet you at 7.30 am at the Loganair departure gate at Glasgow Airport prior to the flight. A hire car has been arranged for pick up at Islay Airport.</p>   |
| <p><b><i>Specific entrance for Ministerial car/parking arrangements</i></b></p>                              | <p>There will be a space reserved for the Ministerial car outside the terminal building at Port Ellen. The port managers office will be available to the Ministers and CMAL colleagues during the site visit.</p> <p>Parking is available at the Islay Gaelic Centre. The Museum of Islay Life and at Bruichladdich Distillery.</p> <p>The Minister will be dropped off at the ferry terminal at Port Askaig for the return journey to the mainland by ferry. Private office have arranged a taxi to collect the Minister on arrival.</p> |

## **Itinerary**

0730 – 0800 – Meet at Loganair departure gate at Glasgow airport for flight deck safety briefing

0800 - 08.45: Flight Glasgow to Islay

08.45 - 09.00 – Meet with Islay Airport Staff

9:00 – 9.15 – Travel to Port Ellen (hire car)

09.15 - 09.45: Meet with CMAL at Port Ellen

09:45 – 10.00 Travel to Gaelic Centre, Bowmore

10.00 - 11.15: Meet with Ferry Committee at Bowmore

11.15 – 12:00 Travel Port Charlotte Hotel

12.00 - 13.15: Meeting with Members of the Community (lunch included)

13:15 – 13:30 Travel to Bruichladdich

13.30 - 14.30: Visit to Bruichladdich Distillery

14.30 – 15.15 Travel to Port Askaig for Ferry

15.30 – 17:25 Ferry to Kennacraig (PO have arranged for a taxi to meet the Minister)

**Flight to Islay – Minister will travel on flight deck**

The Loganair crew will provide specific emergency briefing with the Minister which takes a few minutes. The purpose is to brief on the specifics of the exits from the flightdeck and the flightdeck protocol. Loganair staff will board the Minister first for that to happen, as space at the front of the cabin can become a little tight during general boarding.

The crew for this flight will be:

[Redacted]

[Redacted]

[Redacted]

## Visit to Port Ellen

### Port Ellen Terminal Development

Port Ellen Terminal Development will deliver much needed, long-overdue investment in aging port infrastructure to provide an improved environment for both members of the travelling public and operational staff. The proposed works will provide fit-for-purpose infrastructure, improve safety and visitor experience and will enable vessel capacity to be fully utilised.

Due to constraints with the site additional land is required to provide additional marshalling area and to enable the terminal to meet user needs e.g. ferry users, the fishing fleet and island distilleries utilising the grain store at the harbour.

### Project Scope

The primary objective of the project is to provide additional marshalling capacity. However, there are a number of other problems (and opportunities) at Port Ellen that the project will seek to address such as:

- A new terminal building
- Provision of a lorry drop trailer area
- Vessel passenger access improvements
- Staff, visitor and passenger car parking facilities
- Bus drop off / pick up facility
- Car/ taxi drop off / pick up facility
- Cycle parking / storage facilities

The Port Ellen Terminal Development project will consider how the full vehicle capacity of the existing and proposed new vessels can be realised to meet the forecasted vehicle demand for the route, as well as maintaining and improving pedestrian and vehicle safety and enhancing accessibility and integrating public transport at the terminal.

Ministers will be met by: -

[Redacted]  
[Redacted]

### Biography

[Redacted]

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[Redacted]

[Redacted]

[Redacted]

[Redacted]

**Biography**

[Redacted]

[Redacted]

### Meeting with Islay Ferry Committee (IFC) and Islay Community Council (ICC)

**This meeting is part of the Project Neptune Consultation being led by Angus Campbell. Angus will provide introductions and explain meeting purpose. It is the first of a series of events Angus has planned for Islay, Jura and Campbeltown.**

No local media have been invited to attend but local media outlets have asked for photographs at previous community engagements sessions and may seek to do so again.

### Attendees

[Redacted]



### Top Lines

- I know from my regular engagement with islanders and stakeholders that we need to improve the resilience of the ferry network in the short-term and in the long-term.
- The Scottish Government has invested more than £2bn in our ferry services since 2007 and we continue to work towards introducing more capacity and greater resilience on the Clyde and Hebrides network.
- Since May 2021, we have bought and deployed an additional vessel in MV Loch Frisa in June, chartered the MV Arrow, made significant progress in the construction of vessels 801 and 802, commissioned two new vessels for Islay, progressed investment in essential harbour infrastructure, and now we are delivering a further two new vessels.
- At the same time we are continuing to work on pursuing all reasonable and appropriate opportunities to enhance capacity and resilience in the short term through second hand vessels .

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- I share the desires of island communities for sustainable and effective ferry services and look forward to continuing our constructive engagement with them on future services and vessel replacements.
- As part of the forthcoming Islands Connectivity Plan, we are setting out our draft Long-Term Plan for Vessels and Ports which the Project Neptune report called for and islanders need to see.

### **New Islay Vessels**

- The Islay ferry routes are some of the busiest services for freight on the west coast and the new vessels will help to grow the island's economy, as well as bringing added resilience to the wider network.
- The Scottish Government is committed to commissioning new ferries to support our island communities, and it's encouraging to see progress on bringing these vessels into service on time and budget.
- The first ferry in the production timeline has had its keel laid, while steel-cutting for the second vessel has also begun – three weeks earlier than planned.
- The first vessel is expected to be delivered by October 2024 and will enter service following sea trials and crew familiarisation. The second will follow in early 2025.
- The new, 94.8-metre vehicle/passenger ferries will each have capacity for up to 450 passengers and 100 cars or 14 commercial vehicles, providing a combined 40% increase in vehicle and freight capacity on the Islay routes and improving the overall resilience of the wider fleet.
- Sufficient passenger accommodation has also been included to meet an anticipated increase in passenger demand. They will have greater vehicle capacity than the current vessels on the route, and will have significantly lower energy requirement.
- The construction of the vessels remains on time and on budget. The vessels will be delivered in October 2024 and February 2025 respectively.

### **Port Ellen Port Developments**

- Port Ellen Terminal Development will deliver much needed, long-overdue investment in aging port infrastructure to provide an improved environment for both members of the travelling public and operational staff. The proposed works will provide fit-for-purpose infrastructure, improve safety and visitor experience and will enable vessel capacity to be fully utilised.
- Due to constraints within the site additional land is required to provide additional marshalling area and to enable the terminal to meet user needs e.g. ferry users, the fishing fleet and island distilleries utilising the grain store at the harbour.
- The latest engagement sessions conducted were, a stakeholder reference group meeting on 19 January and a Public consultation on 26 January, both were held on Islay and were well received by stakeholders and the community alike.

### **Islands Connectivity Plan**

- The Islands Connectivity Plan will replace the Ferries Plan but be broader in scope, taking account of aviation, ferries and fixed links, and onward and connecting travel. It will be developed within the context of the National Transport Strategy and the National Islands Plan and be informed by the outcomes of the Strategic Transport Projects Review.
- Consultation and engagement will be central to its development.
- Work on ICP is underway, with priority being given to a draft Long-Term Plan for Vessels and Ports. Work on the other elements of the ICP will follow, with a view to further engagement, consultation and publications in 2023.

### **Long-Term Plan for Vessels and Ports – draft**

- An advance copy of Transport Scotland's draft Long-Term Plan for Vessels and Ports for the Clyde & Hebrides and Northern Isles networks has been shared with key stakeholders. A copy of this working draft is also being placed on the TS website.
- We have sent advance copies to lead officers at the following bodies which are relevant to Islay: Argyll and Bute Council, HiTrans, Highlands and Islands Enterprise, Calmac and CMAL, the Mobility and Access Committee for Scotland, the Ferries Community Board for CHFS and Trade Unions.
- The report was also sent to, local authorities (Shetland, Orkney, Eilean Siar, Highland and North Ayrshire); RTPS (ZetTrans and SPT); Serco and NorthLink.
- This is the first element of the Islands Connectivity Plan (ICP) to be produced – recognising the strong public interest in this.
- We intend to commence a formal public consultation in early 2023 – aiming to start this by Easter at the latest – and to finalise the Plan during 2023.
- The draft Long-Term Plan for Vessels and Ports covers those services for which Ministers are responsible and acknowledges that Councils, including Argyll & Bute Council, face their own challenges with vessels and ports and are developing their own plans. During 2023 we will be working and engaging on other elements of ICP including a strategic overview that will reflect the scope of the National Transport Strategy and the National Islands Plan and address transport connectivity for islands regardless of current roles and responsibilities.
- We provided funding for the Council to replace the Lismore passenger ferry and are now fully funding the Council's ferry services.
- We continue to support the majority of the funding to the Jura Development Trust for the provision of the Summer passenger ferry between Craighouse (Jura) and Tayvallich (Kintyre).
- Regardless of age, all vessels within the Clyde & Hebrides and Northern Isles fleets undergo regular maintenance and meet all regulatory requirements.

- The procurement of two new Islay vessels, the current procurement of two further such vessels, plus the MV Glen Sannox and Vessel 802 means 6 new major vessels to be delivered between 2023 and 2026, with plans to begin replacing small ferries from 2025.

## **Other elements of the Islands Connectivity Plan**

### **Community Needs Assessments**

- We will undertake refreshed Community Needs Assessments (CNAs) which will establish communities' transport connectivity needs, identify transport dependencies and propose options to address any gaps in service provision.
- For the Ferries Plan (2013-2022), community needs for ferry services were assessed against 4 "dependencies", commuting and frequent business use, personal travel, freight and tourism and the existing and proposed 'model' service profiles were then compared.
- Transport Scotland has undertaken a refresh of the data for Routes and Services methodology and is considering and engaging on options in our aim to capture future and current needs.

### **Market Assessment**

- We also plan to do market assessments, which has some similarities to community needs assessment but also asks whether identified transport connectivity needs are being met, or could be met, without government intervention.

### **Ferry Fares Policy Review**

- We will also undertake a review of ferry fares, alongside our wider Fair Fares Review, to ensure that our fares policy continues to address island needs.
- The ferry fares review provides the opportunity to ensure that our fares policy continues to address the needs of island residents, businesses and communities.

### **Ferries Decarbonisation and Emissions Reduction**

- We will explore and consult on pathways to zero/low emission ferry transport.
- CMAL, in partnership with Transport Scotland and CalMac, is commencing a major programme to replace up to ten small vessels serving the Clyde and Hebrides Ferry Services network due to operational life expiry. Over the next ten years, the programme aims to provide standardised, modern, state-of-the-art ferries with all electric emission-free operation on various routes along the West Coast of Scotland.
- In line with our Climate Change Plan commitments, to see 30% of the Scottish Government ferry fleet consisting of low emission ferries by 2032, the programme will aim to deliver low emission vessels utilising the latest proven battery and on-shore charging technologies.

### **Islay Working Group**

This working group meets monthly and is Chaired by [Redacted] from CMAL. TS has a representation at the meeting. Last mtg was 21 Jan/next mtg 9 Feb. Main issues discussed are around capacity for all users and how bookings are managed.

- Balancing bookings for commercial, community and tourism traffic requirements is problematic. Commercial capacity has grown by 40% and more is required. This includes whisky shipping, distillery, road and ports maintenance, and carrying of livestock to auctions on the mainland.
- CMAL report that new e-booking system will manage this better and a range of measures including deployment of mezz desk on some sailings and the use of block bookings for commercial use will be considered once data is received from the summer timetable usage.
- CMAL is in talks with the Scotch Whisky Association to find a solution.

## **Project Neptune**

### **Top Lines**

- Scottish Minister's aim for the Project Neptune review is to deliver an enhanced passenger experience and support local island economies.
- The Project Neptune report has now been published on Transport Scotland website and there has been a debate in Parliament.
- The full report looked at two aspects of current ferries delivery
  - Governance, Internal Controls and VfM, which considered short term changes that could be made to shareholder and project governance, to deliver interim improvements whilst longer term future options are under consideration.
  - Future Options, which provided a comparative analysis of alternative governance models drawn from international practice, to develop a preliminary "short list" of options for detailed consideration.
- This is a complex piece of work and will require further engagement with all key stakeholders – including the staff of both Calmac and CMAL - as well as the Trades Unions and communities.
- Issues need to be considered in the round and in the context of the broader range of future ferries initiatives and investment.
- The First Minister has been absolutely clear that she will not consider unbundling or privatisation, and the report sets out in further detail some reasons why that will not be pursued.
- Over the next few months we will be travelling across Scotland to get the views of those who use Scotland's ferries.
- No decision has been taken long term options other than those we have already ruled out around privatisation or splitting up of the Calmac network.
- Whilst I remains open minded I am clear that there is room for improvement and that services must improve

### **Why are we speaking to people about Neptune?**

- It's important we gather the views of those who use ferries the most to make sure any changes that are brought in reflect their priorities.
- We want to take the views of island communities and ferry users into account before making any final decisions.
- I'm delighted that Angus Campbell, chair of the ferries community board has agreed to lead on this independent exercise for us.
- Angus is asking four broad questions which we would welcome views on:
  - Can the way ferry services are organised be improved to help deliver services?
  - In what way does the current set up lead to issues?
  - What do you think is the best way to organise ferry services?
  - What else can be done to ensure a first rate ferry service.

### **Conclusions and Recommendations of the EY Report**

- The EY Report made a series of recommendations on the future of Ferries. The key ones are outlined in the table below with the current public position on each

| <b>Recommendation</b>  | <b>Position</b>   |
|--|---|
| The introduction of a commissioner or regulator could increase independent oversight of the sector and serve as a helpful interface between the Tripartite and the public  | You have not ruled this out but have quoted the report’s finding that it may bring another player into a cluttered landscape.         |
| Integration of CMAL and CFL is the most attractive option from the ‘integration and assimilation’ grouping; offering the opportunity to streamline the structure of the Tripartite while maintaining separation from DML’s commercial activities. It would present a number of complex legal and taxation issues, which need to be more fully understood as part of the detailed evaluation. | You have indicated that you are open to exploring what improvements can be made from more formal integration.                         |
| when considering the future of the CHFS network, communities are consulted on the proposed future options  | You have committed to further consultation and Angus Campbell has been appointed to lead on a series of island community engagements. |
| Prior to embarking on any procurement exercise, an assessment of the desired commercial position vis-à-vis TS’ future objectives for the ferry sector should be undertaken to understand how contractual changes could support the delivery of these objectives  | No public position  |

- A further more detailed options appraisal of any integration options will be needed to explore any legal, financial or commercial issues which may occur as a result. Officials are considering how best to take this forward now.

### **Structural Reform options**

- The Project Neptune report prepared for Scottish Ministers by EY and published in September set out a series of potential options for structural reform of the existing governance structure for Scotland’s ferries. These included options whereby some or all of the organisation within the existing structure could be integrated or assimilated. Namely:
  - Assimilation of CMAL into Transport Scotland
  - Integration of CMAL and David MacBrayne Ltd
  - Integration of CMAL and Caledonian MacBrayne Ltd
- The findings of the EY report now require to be fully assessed to determine whether assimilation/integration is viable, identify legal and financial

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challenges and more fully set out how any new body can help deliver enhanced ferry services for the people of Scotland whilst realising value for money for the public purse.

### **Ferguson Marine**

The future of Fergusons was not in scope of Project Neptune

## **Ferries – contracts**

### **Vessels**

Islay is serviced by two vessels, MV Finlaggan and MV Hebridean Isles, operating from Kennacraig to Port Askaig and Port Ellen. A single vessel timetable sometimes operates during periods of disruption, or when vessels are redeployed during annual overhaul.

MV Finlaggan was built in 2010, with a passenger capacity of 550 and vehicle capacity of 77. MV Hebridean Isles was built in 1985, with a passenger capacity of 465 and vehicle capacity of 60.

### **Carrying Stats**

There were 2,795 scheduled sailings on the Kennacraig – Islay service in 2022, of which 5.4% were cancelled. 2% of scheduled sailings were cancelled due to technical reasons, and 1.8% were cancelled due to weather.

### **Freight**

Freight demand makes up a major component of the Kennacraig – Islay service, with freight traffic having increased by 19% over the last 10 years.

Islay has the greatest share of carryings in relation to the transportation of whisky raw materials and finished produce. The island has 9 distilleries – with this number set to grow, alongside plans to extend those already existing. It is estimated that between 25% and 40% of commercial goods on the Kennacraig – Islay route can be attributed to the transportation of whisky and related products. Many of the non-commercial bookings can be attributed to visitors of the whisky industry.

Freight traffic plays a critical role in island life, sustaining vital island economies through transportation of essential goods and services. However, with capacity becoming more constrained across many key routes, accommodation of traffic is becoming more and more challenging, especially during periods of disruption.

CFL are engaging regularly with the Islay Ferry Committee over the ability to manage the growing demands of the whisky industry over the next two years, before the two new vessels enter service.

### **Recent technical issues**

MV Hebridean Isles is currently redeployed, operating a freight-only service on the Troon-Brodick route, whilst MV Caledonian Isles undergoes her annual overhaul. She was intended to operate the Ardrossan – Brodick service alongside MV Isle of Arran, but following a technical issue, meaning she can only operate using her stern ramp, she is unable to berth in Ardrossan. As capacity is more on MV Isle of Arran

than on MV Hebridean Isles, the decision was taken to operate a freight-only service from Troon to Brodick, to free up non-commercial space on MV Isle of Arran.

Due to the delay of MV Caledonian Isles in overhaul, MV Finlaggan will continue to operate a single vessel timetable on the Kennacraig – Islay service, up to and including 16 February, subject to continual review.

MV Hebridean Isles was removed from service on Boxing Day 2022, due to an issue with her Bow Visor Seal. This resulted in a single vessel timetable, operated by MV Finlaggan, while she moved to Troon for repairs. The vessel returned to service on 29 December following successful repairs.

### **Dangerous Goods/Scottish Whisky Association November 2022**

[Redacted]

An issue was identified on the Islay vessels carrying certain Dangerous Goods, and the subsequent impact on how much traffic the vessels could carry during single a vessel timetable. The issue identified specifically related to the carriage of alcohol-based products from distilleries on the island.

The distilleries were presenting with products with a flashpoint of below 23 degrees, which further restricted where they could be carried (only in areas of deck that are completely open), and reduced the capacity of CFL to ship these off the island. The vessels must adhere to MCA restriction on tankers carrying these products, specifically in relation to where on the deck they must be carried depending on their flash point. Historically, the flash point of this product was between 23 and 60 degrees, meaning tankers could carry these on any of the three different zones on the car deck – including areas of semi open/covered deck.

CFL undertook an analysis of the declarations accompanying each of the shipments of the tankers, to find there was conflicting information between the packing zone declaration and the cited flash point, therefore CFL had to treat them as being in a different packing zone with higher requirements. CFL addressed the issue with the hauliers and the Scottish Whisky Association, allowing the backlog to be shipped with no requirement for additional tonnage. These declarations are the responsibility of the distilleries, therefore the fault did not lie with CFL.

### **Ongoing investment**

The Scottish Government's commitment to providing lifeline ferry services is demonstrated by the investment of £580m over the next 5 years in ports and harbours, announced on 4 February 2021, as part of the Scottish Government's Infrastructure Investment Plan. This can be seen by the recent announcement to build two new ferries for Islay, the second of which has been advanced and anticipated to enter service around 2024/25. These new vessels will provide greater vehicle capacity, including a focus on freight.

**Visit with Local Community Representatives:**

**This meeting has been arranged by Jenny Minto's office. Her office has confirmed attendees as being**

The meeting will take place in the dining room of the Port Charlotte Hotel, lunch will be provided.

There is no fixed agenda for the meeting it is intended to give the Minister the opportunity to discuss transport issues including ferries and aviation relevant to Islay with locals.

[Redacted]



### **Visit to Bruichladdich Distillery**

The Minister will meet with the [Redacted] of the distillery, [Redacted] who will discuss production and the logistics operation of the site.

On arrival please report to the visitor centre.

### **Biography**

[Redacted]

[Redacted]

[Redacted]

### **Background on distillery**

- Bruichladdich Distillery is owned by Rémy Cointreau. The distillery was founded in 1881 and re-started production in 2001.
- The site incorporates the distillery as well as a visitor centre, maturation facilities, and a bottling hall.
- The distillery produces c. one million litres of spirit per annum – mostly for Bruichladdich’s range of three single malt whiskies, with a smaller still for production of Botanist Gin.
- Their top 5 export markets are: USA, Global Travel Retail, China, France, Germany. The total case sale estimates for 2019 are: 5,299 (UK) 50,668 (exports).
- It is one of the largest distilleries on the Island. There are currently 106 permanent employees and nine temporary/seasonal employees.
- Bruichladdich had 40,000 visitors in 2019 (up from 10,000 in 2009).
- Of all the distilleries on Islay, Bruichladdich has the most complete operation, and HIE understands that there are plans to develop a maltings facility which would remove the reliance on a third party for this aspect of the supply chain. There is one other maltings in the south west of Islay, Port Ellen Maltings, owned by Diageo.

- The distillery has very ambitious decarbonisation plans, with a target to fully decarbonise their distilling processes by 2025.

### **Top lines on the drinks and Scotch Whisky sector**

- The drinks industry is extremely valuable to the Scottish economy, in terms of production and exports and also tourism and hospitality.
- The Scottish Government meets with the whisky sector and other drinks stakeholders regularly to understand how the sector is performing.
- A Trading Nation sets out the plan for improving Scotland's export performance to raise revenue for Scotland's economy. Food and drink is one of our priority export sectors. Whisky and food and drink feature in our trade promotion activities, including inward investment and work by Scottish Enterprise/SDI.

### **Other relevant Scotch Whisky/drinks facts**

#### **Industry**

- The spirits industry contributes approximately 3% to total Scottish GDP.
- The Scotch Whisky industry provides £5.5bn in gross value added (GVA) to the UK economy.
- There are currently 141 operating Scotch Whisky distilleries across Scotland. The industry supports agriculture, seed producers, farmers, grain merchants and maltsters – all critical to the industry's success. Further sites include e.g. warehousing, bottling halls and office spaces.
- The Scotch Whisky industry employs 11,000 people directly in Scotland, over 7,000 of whom work in rural areas. A further 42,000 jobs across the UK are supported by the industry.
- In 2019, there were 2.2 million visits to Scotch Whisky distilleries, making the industry the third most popular tourist attraction in Scotland. Two in three of those visits were international visitors. In 2020 the numbers fell to just 400k due to the COVID-19 pandemic.

#### **Exports**

- Scotch Whisky accounts for 75% of all Scottish food and drink exports.
- 21% of all UK food and drink exports are Scotch Whisky brands.
- The UK exported £4.5 billion worth of Scotch Whisky in 2021. This was up £705 million (+18.5%) on that exported in 2020 but down £402 million (-8.2%) on that exported in 2019. Quarter 1 2022 exports show further growth.
- The value of Scotch Whisky exports to the European Union, North America, and Asia and Oceania increased in 2021 compared to 2020 but were all down on 2019.
- Scotch Whisky is exported to 180 markets around the world. The US is the top export market for Scotch Whisky, with £789.8 million exported in 2021. This is up £60.9 million (+8.4%) on 2020 exports but down £279.1 million (-26.1%) compared to 2019.

#### **Glass/packaging**

- The Scotch Whisky Association have committed to ensuring that by 2025 all new packaging will be fully recyclable, with work underway to ensure packaging is kept to a minimum by designing an industry wide packaging route map.

- The drinks sector continue to be concerned about the inclusion of glass in the Deposit Return Scheme. In the Deposit Return Scheme for England and Northern Ireland – there is an exemption for glass.

### **Deposit Return Scheme**

- Any changes to planned regulations are complex, with wide-ranging implications, and while reducing burden is key, many of these regulations have important environmental and social aims which cannot be delayed, or indeed bring economic opportunities for sections of the business community.
- On the **Deposit Return Scheme**, which is being administered by Circularity Scotland, the Minister for Green Skills, Circular Economy and Biodiversity has committed to continuing to work closely with businesses and others to ensure we have pragmatic solutions in place to implement this transformational scheme.
- In response to feedback from business, we have updated our guidance and support for the DRS exemptions system. This is designed to make the process clearer, easier and quicker for retailers wishing to apply.
- We have also announced proposals to bring forward amendments to the DRS regulations so that only the largest supermarkets will initially be obliged to provide a takeback service; all other businesses will be exempt.

### **ALCOHOL ADVERTISING AND PROMOTION CONSULTATION**

- Alcohol-related harm is one of the most pressing public health challenges that we face in Scotland. An average of 700 people are hospitalised and 24 people die each week from illnesses caused directly by drinking alcohol.
- Restricting alcohol advertising and promotion is one of the World Health Organization's three best buys to reduce alcohol-related harms.
- We are consulting on restricting alcohol advertising and promotion to protect vulnerable groups, including children and young people and those in recovery. These groups have told us directly that they see a lot of alcohol advertising and promotion and they want us to restrict this (e.g. Young Scot).
- The purpose of the consultation is to set out the major sources of alcohol advertising and promotion in Scotland and potential restrictions to these. The consultation discusses different options that could be implemented together, separately or not at all.
- The Minister will be meeting with key stakeholders, including public health stakeholders and the alcohol industry, during the consultation period, to hear directly from them.
- The evidence on how no and low alcohol products are consumed is not yet clear, in terms of whether these are consumed in addition to stronger alcoholic products at alternative occasions or settings, or as a direct substitute for alcoholic products. The consultation asks about this and we would welcome further evidence.
- We do have concerns around no and low alcohol products featuring the branding of flagship alcohol products, this may help to encourage allegiance to particular, predominantly alcohol, brands, including among those under the legal drinking age.
- The function of consulting at this stage, before any proposals are finalised, is to give organisations and individuals the chance to feedback on these, and potential impacts. We would encourage everyone to respond, the consultation is open now and closes on 9 March.

- Following the consultation, we will analyse the responses and then further consider possible restrictions. This is very likely to result in further consultation before any potential legislation is developed. The content of future legislative programmes for the remainder of this Session is subject to Cabinet consideration and will be announced in Programme for Government in the normal way.

### **Diageo Berthing Arrangements**

- Bruichladdich is not a Diageo distillery.
- Diageo hold a lease that provides right of access for the grain boat. The vessel arrives every 3 weeks, with the process of emptying the vessel taking around 3 to 4 days to complete.
- The barley is loaded onto shore side vehicles or stored in the silo located at the port for onward transportation to the maltings.
- CMAL have an obligation to provide a berth for the grain boat to maintain continuity of service.
- The current port setup impacts on the ferry service when the grain boat is berthed, however the proposed preferred option in the Port Ellen Terminal Development project would see a significant improvement to the ferry service as the grain boat would have a standalone berth.

**Minister’s Visit to Islay Airport – 13 February 2023**

Agenda

08:45 [Redacted] to meet Minister from flight and introduce to team  
09:00 Depart Airport

Lines to Take

- I want to thank everyone at Islay Airport for their efforts in ensuring that services are maintained.
- We are committed to maintaining operations at Islay Airport and the forthcoming runway resurfacing work will be a significant investment ensuring that air services will be able to continue to operate into the future.
- We encourage the unions and HIAL to continue to engage in positive dialogue in order to resolve this pay dispute.
- In recognition of the Cost of Living Crisis, we acknowledged that it may be necessary for public bodies to go beyond the flexibility parameters in Public Sector Pay Policy to enable them to make more generous pay offers to their staff.
- Those offers must, however, be affordable both now and in the future.

**Biography**

[Redacted]

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## Background

1. Islay Airport is operated by HIAL. Air services are operated by Loganair to Glasgow and by Hebridean Air Services to Oban via Colonsay. The Glasgow service is operated on an entirely commercial basis but is an eligible service under the Air Discount Scheme. The Oban to Colonsay service is a PSO funded by Argyll & Bute Council. The Islay leg from Colonsay is not a PSO itself but is entirely dependent on the operation of the Oban to Colonsay PSO.
2. Passenger numbers have been recovering but are still below pre-Covid-19 levels. On the Glasgow service, there were 25,805 passengers in 2022. While this was a 107% increase on the 12,465 in 2021 it was still 8% below the 2019 figure of 28,093. In addition, Loganair operated a short lived service from Edinburgh in 2019 which contributed a further 5,874 passengers.
3. Islay Airport will not be impacted by Unite's strike action on 21, 22 and 23 February 2023 and services will operate as normal. HIAL made a final offer of a 5% rise to basic pay and allowances for those under £80,000 and 4% for those over £80,000 which was within an overall 5% pay envelope. This was rejected by HIAL staff. A new business case, including a proposal for a non-consolidated payment was put to Ministers on 7 February 2023.
4. The operational runways at Islay have reached end of life and requires resurfacing in order to ensure that air services can continue to operate. The airport is served by two runways. The main runway, with orientation 13/31, and the secondary runway, with orientation 08/26. Although also used for crosswind flight operations, the runway 08/26 main use is to provide a taxi route to the main runway. The runways were last resurfaced in 2002. The rehabilitation shall be achieved by the provision of a 50mm inlay. As part of the project, the declared width of Runway 13/31 shall be reduced from 45m to 30m in order to provide more appropriate and suitable runway dimensions for the existing and future use of the airport and the runway. This will reduce future maintenance costs.
5. This project has been on the go for some time but the main construction work is scheduled to be undertaken in 2023-24. This is an investment of over £11 million in ensuring that connectivity to Islay will be maintained into the future.
6. A big issue impacting on Islay at present is the tight labour market. This is, in part, driven by the distilleries on the island. All employers, but in particular the Public Sector which is less able to compete on pay, are struggling to recruit. HIAL is no exception to this and staff from other airports are having to be temporarily assigned to Islay as cover to ensure that operations can be maintained. A contributing factor to this issue is the lack of available accommodation on the island, both to buy and rent, which makes recruiting from off the island challenging. HIAL installed temporary accommodation at Islay Airport to house some staff but the issue will not be resolved until more affordable housing is built on the island.