

Cross-Party Group on Scotch Whisky

26th September 2024, 13:00-14:00, CR4, Scottish Parliament

Minute

Present

MSPs

Jackie Baillie MSP
Murdo Fraser MSP (Chairing)
Rachael Hamilton MSP
Gordon MacDonald MSP
Douglas Ross MSP

Non-MSP Group Members

Susanne Cameron-Nielsen (Scotch Whisky Association – Secretariat)
Annie Hill (The International Centre for Brewing & Distilling)
Graeme Littlejohn (Scotch Whisky Association – speaker)
Michael Taylor (Solmaris)

Apologies

Rhoda Grant MSP
Emma Harper MSP
Colin Smyth MSP

Agenda item 1

Welcome, introduction and apologies

Murdo Fraser MSP welcomed members and noted apologies from Rhoda Grant MSP, Emma Harper MSP and Colin Smyth MSP.

Agenda item 2

The minutes of previous meeting on 7th December 2023 were approved.

Agenda item 3

AGM – Election of office bearers

All office-bearers had indicated they were happy to continue. Collectively they were all re-elected:

Murdo Fraser MSP, Co-Convenor
Gordon MacDonald MSP, Co-Convenor
Emma Harper MSP, Deputy Convenor
Colin Smyth MSP, Deputy Convenor

The group re-elected the Scotch Whisky Association to the Secretariat. Susanne Cameron-Nielsen, SWA would be stepping back from providing the Secretariat with her colleague Ellie Carrington stepping into this role from the next meeting. The group welcomed Ellie and put on record their thanks to Susanne for supporting the group the past three years.

Agenda item 4

Scotch Whisky H1 export trends – Graeme Littlejohn, Director of Strategy & Communications, Scotch Whisky Association

Graeme Littlejohn provided an overview of the [data for H1 2024](#) showing that the value of Scotch Whisky exports declined when compared with the first half of 2023.

Export value in H1 2024 was £2.1bn, down 18% on 2023. In the same period, the volume of exports fell by 10%, to the equivalent of 566m 70cl bottles – or 36 bottles of Scotch Whisky exported each second, compared to 40 bottles per second in the first half of 2023.

He set out some of the reasons for these large year on year fluctuations, including the Covid pandemic, US tariffs on Single Malt, and more recent global economic headwinds. However, he also stressed the industry's resilience and continued projections of growth, with the year on year reductions in 2024 coming after record exports in 2022 and 2023, in a 'super-cycle' for exports caused by the pandemic. He further highlighted that Scotch Whisky's success could not be taken for granted but needed continuously promoted and protected at home and overseas. He outlined support in the upcoming UK budget, further work to secure a UK-India FTA, and ensuring tariff-free trade with the United States as examples.

In response to Murdo Fraser MSP's question on risks from new world whiskies, Graeme Littlejohn outlined growth in global whiskies, including in the US, India and China, but which also had the effect of attracting consumers to the whisky category, which is good for to Scotch Whisky in the long run as the world's premium whisky.

Gordon MacDonald MSP inquired about the ratio between value and volume exports, with a simple calculation showing that each bottle was exported with a value of £3.71. Graeme pointed out that this was not an accurate reflection of the market, and while the SWA could not comment on pricing, there are many factors which dictate the final price to consumers in global markets, including distribution costs, local taxes and tariffs. In addition, some Scotch whisky was exported in bulk, especially to India, which is reflected in the growth in the first half of 2024.

He also confirmed the Scotch Whisky Regulations 2009 stipulated that Single Malt Scotch Whisky had to be bottled in Scotland and that while such a stipulation was not applied to blended Scotch, a sizeable proportion of Scotch Whisky blends were bottled in Scotland. Graeme would share further information on parallel trading laws with the group.

Rachael Hamilton MSP inquired about the level of foreign investment/ownership of Scotch Whisky companies and how that affected future markets. Graeme highlighted the industry was increasingly diverse ranging from local ownership to ownership representing e.g. French, Japanese, US companies and which has proven to deliver significant investments into the industry and Scotland

e.g. on decarbonisation and sustainability. Inward investment to Scotland was a positive to the industry and to the Scottish economy, as demonstrated in the SWA's most recent [Economic Impact Report](#) with the industry contributing £7.1bn to the UK economy, £5.3bn of which in Scotland equivalent to 3% of its total GVA.

Douglas Ross MSP inquired as to the link between tourism and export markets, including emerging markets. Graeme highlighted the importance of whisky tourism, and that while the industry was collectively Scotland's most visited tourist attraction in 2022, the industry had not yet fully reached its record year of 2019 with 2.2m visitors.

Michael Taylor asked if production continued to increase, which Graeme confirmed so that industry ensures it lays down stock for future markets.

Agenda item 5

SWA report with HITRANS on Whisky logistics – Identifying the barriers to growth in the Highlands & Islands, Susanne Cameron-Nielsen, Head of Engagement, SWA

Susanne Cameron-Nielsen provided a brief presentation of the main findings of the report, which was an update to an earlier jointly commissioned report with HITRANS from 2011, and which was commissioned to identify existing and future issues on the transport network in the HIRTRANS areas which could have an impact on the ability of the Scotch Whisky industry to continue to grow in the region and in Scotland.

The work had three distinct parts: 1) A spreadsheet analysis tool identifying the locations on the Highlands and Islands transport network which accommodated the greatest number of daily whisky industry generated trips, including projecting future need based on a theoretical growth of 10% over the next decade; 2) a stakeholder consultation exercise to feed in views and experiences from across the industry, including distillers, maltsters, hauliers, ferry operators and Transport Scotland; and 3) a transport network review identifying current and future issues to inform recommendations and identify key constraint for the Scotch Whisky industry.

The analysis demonstrated that the majority of HGVs using the A95 and a large proportion of the HGVs using the A96 and A9 to the south of Inverness are supporting the Scotch Whisky industry's operations. The data suggests that the A9, A95 and A96 will remain vital to the Scotch Whisky industry's operation, while the A83 remains a vital link given it supports access to Islay and Jura where 11 distilleries are located. The analysis concluded that a theoretical 10% increase over the next decade would result in an additional over 58,000 annual HGV movements across the network.

The stakeholder consultation raised three key areas of concern: 1) Reliability and capacity of the Islay ferry; 2) Restricted width of the A95; and 3) Rockfalls and landslips on the A82 and A83, with wider feedback covering wider issues around the trunk road infrastructure, local access, haulage, supply chains, ferry operations and decarbonisation.

The third aspect of the work included a review of current issues and potential future resilience issues, including road accidents, flooding, landslides, high winds, winter weather conditions and storm events – providing a map of the regions network where issues were presenting or susceptible to future climatic changes.

In combination, these three aspect of the analysis informed the concluding five key constraints for the Scotch Whisky industry:

Constraint 1 – Islay crossing

The Islay ferry crossing being vital to the 11 whisky distilleries on Islay, as well as Jura, reliant on it for materials, exports and tourist travel, on top of the needs of those living and working on the islands. In 2022, there were 150K+ visitors to Scotch Whisky distilleries on Islay and Jura, who, like the island communities, depend on a reliable and resilient ferry service. The Scotch Whisky industry supports around 11,000 jobs across the Highlands & Islands, of which Islay is a crucial part.

Constraint 2 - A95 between Grantown-on-Spey and Dulnain Bridge

The A95 is an important connecting road through the Speyside region, home to more distilleries than any other region in Scotland and therefore a large contributor to the whisky industry's £5.6bn export value. Over 81.3% of the HGVs using the A95 are associated with the whisky industry which account for 77% of Scottish food and drink exports and a large proportion of the A95 has no suitable alternative routes which can be used by HGVs in the event of a closure.

Constraint 3 - A83 at the Rest and Be Thankful

The A83 is a major road for Argyll and Bute, home to over 15 distilleries and is a major connecting road for Islay and Jura. The road's susceptibility to landslips can cause significant delays and road closures at night which in turn produces lower margins, higher wastage and lower productivity. The frequency of road closures on the A83 at the Rest and Be Thankful is increasing which effects not only tourism and supplies, but also the many employed by the whisky industry in Argyll and Bute.

Constraint 4 - A9 between Dalwhinnie and Drumochter

The A9 between Dalwhinnie and Drumochter is a key constraint on this vital transport artery through the heart of Scotland. Many parts of the A9 are still single carriageways which increases susceptibility to disruption and has few diversion options, many of which add significant time or are not suitable for goods vehicles. The need to dual the A9 has long been recognised but the timetable for this work to be completed has slipped significantly.

Constraint 5 - A9 between Invergordon and Tore

There are around 13 distilleries north of Inverness reliant on the A9 between Invergordon and Tore, including those on Orkney. With Scotch Whisky accounting for 18% of Highlands & Islands GDP and 25% of the 41,000 jobs supported by the industry, it is vital constraints on this stretch of road are dealt with.

In conclusion, she summed up the Scotch Whisky industry's asks of tackling the constraints through A) freight service provision on the Islay route, and implementing a sustainable and realistic delivery plan for vessel replacement to ensure a resilient network with capacity that supports growth; B) looking at ways to accelerate delivery of dualling of the A9, the A95 as well as the A96 as well as the works on the Rest and Be Thankful (A83), highlighting that accelerated delivery alongside a committed and realistic timetable as being key to provide businesses with the certainty they require to inform expansion and investment decisions; and C) ensure delivery of transport projects are future-proofed, ensuring electrification and resilience to environmental challenges and needs are planned in now.

Murdo reflected how lead-in times in planning through to completion of expansion of Scotch Whisky industry sites were helpful to ensure increased need from the network could be planned in, informing maintenance and upgrades and thanked Susanne for providing the overview of the report findings.

Gordon MacDonald MSP asked about the role of rail to which Susanne confirmed this had not been in scope for this particular report but that a previous report had demonstrated an appetite for this, although a commercial provider was yet to step forward. Gordon also, noting that the Islay crossing was constraint No 1, questioned why distilleries were continuing to be built on Islay given the current concentration on the island. While recognising decisions ultimately commercial and with

member companies and local authority planning departments, Susanne outlined how distilleries had proven to be bedrocks in island communities, not only bringing in investment and creating well-paid jobs, but attracting people to or back to island communities, promoting further entrepreneurship and contributing to creating sustainable and growing island economies.

Douglas Ross MSP asked whether the industry had done more targeted work with e.g. NFUS in relation to the challenges on the Islay crossing and highlighted other roads on the HITRANS network that presented challenges. On the latter point Susanne confirmed that this had come up as one of the themes also in the stakeholder interviews and there was rich information that HITRANS would be able to pick up as part of their developing strategy. On the first point, Graeme having just been at an Islay Roundtable where NFUS were amongst the stakeholders present, confirmed that the industry continued to engage with all stakeholders to look at ways to mitigate specific challenges on the Islay crossing, such as the extension to the MV Alfred, drop-trailer trials and exploring options around freight-only services as delivered elsewhere on the network.

Agenda item 5

Any other business

The request for membership by Victor Brierly was considered and the group agreed to invite him to give a presentation to the group.

Future topics were explored, with confirmation that SWA should be able to bring results from their Women in Whisky project back to the November meeting and were looking at an industry visit for the CPG. In addition Susanne highlighted that the CPG had received an offer from the Hutton Institute/International Barley Hub to host a visit by the CPG, which was welcomed by the group.

Murdo thanked everyone for their attendance and good discussion and highlighted the date of the next meeting:

Tuesday 26th November, 18-19:00 via Teams.

Meeting closed.