

ISLAY & JURA SUMMIT

MINUTES

4TH APRIL 2018

ENSURING SUSTAINABLE ECONOMIC GROWTH ON ISLAY & JURA

Attendees:

Brendan O'Hara MP (BOH)
Humza Yousaf MSP, Scottish Minister for Transport & Islands (HY)
Fiona Hyslop MSP, Cabinet Secretary - Culture, Tourism and External Affairs (FH)
Michael Russell MSP, Minister for UK Negotiations on Scotland's Place in Europe (MR)
Robbie Drummond, Caledonian MacBrayne (RD)
Lorna Spencer, Caledonian Maritime Assets Ltd (LS)
Cleland Sneddon, Argyll & Bute Council (CS)
Pippa Milne, Argyll & Bute Council (PM)
Fergus Murray, Argyll & Bute Council (FM)
Jim Smith, Argyll & Bute Council (JS)
Stuart Green, Argyll & Bute Council (SG)
Charlotte Wright, HIE - An Lòchran (CW)
Jenny Nicoll, HIE – Lochgilphead (JN)
Inglis Lyon, HIAL (IL)
Jim Porteous, ICC Ferry Committee (JP)
Beatrice Morris, Scotch Whisky Association (BMo)
Richard Hadfield, Transport Scotland (RH)
Donald Darroch, Jura community Council (DD)
Islay McEachern, Islay Community Council (IMcE)
David Adams McGilp, Visit Scotland (DA)
Mickey Heads, Ardbeg Distillery (MH)
Hamish Torrie, Ardbeg Distillery (HT)
Paul Graham, Ardnahoe Distillery (PG)
Kilchoman Distillery (AW)
Laphraoig Distillery (JC)
Keith Miller, Diageo (KM)
Sean Priestley, Diageo (SP)
Ben Mundell, B Mundell Ltd (BMu)
Jack Fleming, Tourism and Marketing Group (JF)
Michelle Van der Stighelen (MVdS)

Welcome and introductions - Brendan O'Hara MP

Brendan O'Hara MP opened the meeting, indicated the intended outcome of meeting was to facilitate partnership working and dialogue for sustainable economic growth of Islay and Jura. Noted the need for strategic plan for shared vision for the islands. Acknowledged Islay and Jura were unique in their setting and contribution. Indicated genuine fear that without intervention, joined up approach to growth could not happen. Cited the need for frank and honest discussion.

Opening remarks Humza Yousaf MSP, Scottish Minister for Transport & Islands:

Commented on the integral and vital role transport and connectivity plays in island life. Noted the seasonal challenges and issues of an aging ferry fleet which is attracting considerable investment but will take time. Iterated that where his office can assist, will do so but will be frank of what is and is not possible.

Acknowledged the growth of spirit industry and the need to ascertain if commercial freight operation would be viable. Questioned whether feasibility study has been actioned, noted Scottish Government may be able to assist in cost.

Noted two vessels are in pipeline and the next vessel in procurement would be for Islay.

Noted the contribution of Islay to the UK Treasury from spirit duties.

Commented on the role of the Rural Growth deal in development as a means to expatriate Islay/Jura input to treasury. Recommended review of the Arran model which was part funded by HIE and local authority.

Noted other opportunities including rural tourism infrastructure (via Fiona Hyslop MSP, Cabinet Secretary for Culture, Tourism and External Affairs).

Minister concluded that he would listen to the discussion, return as required and keep conversation going with stakeholders. Commented that Islay and Jura were a good news story.

SESSION 1 – THE ECONOMIC FUTURE OF ISLAY & JURA

1. Overview current Islay & Jura economy – Fergus Murray, Argyll and Bute Council

Key facts available separately. High levels of self-employment, extremely low unemployment (0.6%). Strong and global 'brand'. Key sectors – whisky and tourism but also manufacturing, construction, aquaculture, renewables, outdoor pursuits and retail. Highly resilient and innovative community.

Key challenges:

- Classed as economically fragile
- Ageing and falling population (Islay)
- Physical and Digital Connectivity
- Affordable Housing (100 new in recent years)
- Brexit
- Routes to market (delivery charges big issue).
- Skills gap – underutilisation of skills
- Need for clear industry voice, identify key priorities, no single chamber of commerce in AB.
- Infrastructure

2. Whisky production – challenges & projected growth – SWA (Beatrice Morris).

Future of whisky industry and plans are key. Commercial confidentiality is king. Accepted wisdom of growth and substantial growth in industry. Also recognised role of tourism (150,000 visitors and £6m generated last year). Transport is key issue including road conditions and ferry space/reliability. Current road conditions having significant cost implication. SWA committed to working with Calmac/Transport Scotland. Data cannot be shared widely due to competition law. SWA committed to collaborative working. Considerable growth in pipeline, infrastructure needs to be in place. Keen to engage and work together, could there be a better use of current capacity?

Simon Coughlin, Bruichladdich

Started with 2 employees in 2001, now 100 (75 on island). Distillery operates fully from island.

Many brands don't run distilleries locally. Projected truck movements – 700 in 2018 split between building infrastructure (125) remainder (575) for packaging, casks, barley, yeast, taking finished goods off island for export. Growth in 5 years – 84% (1350 truck movements). Growth in 10 years – up to 2,200 truck movements (300% increase).

Issues: Finding personnel a challenge. Various issues including transport, freight and personnel will be challenging but must be resolved for business to survive.

BOH added situation not dissimilar to other distilleries and tourism likely to multiply.

3. **Islay & Jura tourism – Islay & Jura Tourism & Marketing Group (Jack Fleming)**
350 tourism businesses. Islay and Jura has unique visitor offering. Whisky tourism, wildlife and conservation. Islands have a longer tourist season with considerable annual growth. Industry investment confidence low. Key issues, ferries, roads, internet connectivity. With current issues, return visits are at risk.
4. **Potential Investment & Growth - Highlands & Island Enterprise (Jennifer Nicol).** HIE role includes sustainable economic and community development. Noted contribution from island to Scottish economy. Staffing challenges needs to be looked at. Aquaculture and renewables industries on horizon. Noted community organisations are often part of infrastructure. Commercial investment possible but transport and infrastructure key. Reiterated fragile rural economy. Stressed that lack of housing and infrastructure will deter repopulation. Recruitment and retention of staff fundamental.

Open Discussion (1):

CS: Quality of information from Bruichladdich commended. Acknowledged sensitivity of market data but means of aggregating anonymized data possible. Q: Is there a Third party who the distilleries will trust with that information in confidence?

Need quality data to do some scenario planning. Is a freight operation feasible? Need quality data to test market?

Tourism growth (33% in last two years). Will need to be factored in. Is this data available and can it be aggregated?

BMo: Aggregated data from SWA. Can't put in public domain due to commercial sensitivities.

CW: Suggestion of feasibility study. Agree scope – will require confidentiality. Use trusted consultant to bring together in feasibility study. Bring to market or bring operators together. Recognise sensitivities – but needs to be unlocked to support challenges.

AW: Bruichladdich special case. Other distilleries don't do everything on island. Freight big issue. £5m investment to double production. Will be creating more jobs but not on scale of Bruichladdich.

KM: Perspective slightly different. Barley boats by sea to avoid road transport. Tanker spirit off island vs. cask. Happy to share aggregated data. Caution - Cars and tourism bigger issue than freight.

RD Calmac: Commercial traffic growth flat. Cars the biggest growth. What does this growth look like? There is excess capacity in winter. Can this be spread? Industry working together could balance demands.

FH Ambition, wanting growth and be confident about ambition. Comparative advantage of Islay. Whisky and tourist growth. Increased sustained growth. 2020 – Year of Growth. Scottish Tourist alliance – food tourism alliance. Scotland brand about to be launched. Will drive tourism. Sustainability and planning for growth. Length of season – key. Identify who you want to bring here?

- MR: Rural deal, accessing resource – island needs major roads investment, rural deal – 2 years in discussion – Need for something imaginative in rural deal. Model of ferry infrastructure same as every other island. Islay very different. Upscale Calmac offering – Islay needs to start again. How would you deliver this service? If nothing else, reversing view of what's being done and undertake feasibility study into how we do this? Redoing roads not enormously expensive.
- Identify employment and skills gap. Tourism needs more personnel. Recruitment very difficult. Alarmed by unemployment rate. Housing capacity: 100 houses very welcome but affordable housing crucial. Need to attract people to settle here. Year of young people need to find way of keeping here.
- JP Calmac press release this week re disruption this summer re aging fleet. Life expectancy 25 years. Risk of mechanical failures significant. Great for new ferry. Lots of developments taking place in immediate short term. Jack F – reliable service essential.
- HY Noted Wild about Argyll hugely successful. Long term potential solutions need to be in place. Provision of new vessels takes time > 5 years. Short term? Remove some of obstacles re potential growth. Discussions CALMAC / CMAL – can we spend money (£10m) on reengineering? Expand lifespans? Additional sailings? Always open to look at although vessels do need maintenance. Look at scope of feasibility. Stakeholders – **conversation on scope of feasibility study (Identify stakeholders)**. If Islands Bill passes Scot Parl later this summer will introduce national islands plan – commitment to island communities– will include many of these issues, including depopulation.
- CW – Biggest constraint – people. Talent, skills, people – not one sector that people is not an issue. Raised as major issue at convention of HI. Strategic group for highlands and islands looking at what we can do strategically. What do you want island to look like. Need hard info and data.
- BMu: 3 staff have no accommodation. No private housing available. Lots of affluence but no private housing to buy. Social housing is welcome. Machrie need 60 staff. Only
- IL Freight study – include tourism, Visit Scotland numbers, where are visitors coming from? Is there demand from Edinburgh?? Consolidated database would be good.
- BMu 6 members of staff in company-owned housing at council house rent. 5 wives also have jobs in Islay. Port Ellen council accommodation quoted £750 per month. (CS Housing associations).

SESSION 2 – THE CHALLENGES

5. Jura Community Council (Donald Darroch)

Consider UK excise contribution. Jura has fast expanding population and economy. £45/50m investment. Dozen new jobs. New families – poss 20 new families. Needs public investment in infrastructure. Lack of understanding of islands. Public should not suffer. Ageing fleet in service provider. Challenges – nothing has happened since last 2 workshops in 2016. Roads have deteriorated. 10 new houses not appeared. Challenge: Road system needs restructuring not repair. Hauliers do have issues at times. Challenge: lack of housing for incoming workforce. Lack of available workforce on island. New distillery on Jura is building own pier, own vessel, own houses for own staff, nothing public sector can give to them. Planners been helpful but roads department – issue. Need easier, faster access to mainland. Cost of travel. RET no great benefit to residents. Issue with retaining Jura's natural culture – increased 'incomers'. Tourism comes with challenges, interferes with other businesses. Golf – more likely to travel by air. CAP – based on research. Easy to blame ABC but need to move on from blame culture. Surprised just discussing distilleries. Tidal issue will be massive (for Islay). No jobs once online. Agriculture key industry in Islay, supply local foods.

BOH - will be meeting with other stakeholders but no space to expand this meeting. Energy – tidal barge at Connell because of UK energy policy – insufficient UK feed-in tariff to make it competitive – moved to Malaysia. Needs commitment from UK gov to make it affordable. BOH looking for ways around.

6. Islay Community Council (Islay McEachern)

Most of issues already discussed. Need for infrastructure to be fit for purpose. Ongoing dev – infrastructure needs to keep pace.

Jim Porteous, ICC Ferry Committee

China market - no malt whisky in South China. Whisky massive opportunity. In May WW100 commemorations. International event. Roads deteriorating – mainly due to HGVs. Designed to accommodate up to 10 tonne vehicles. Most whisky traffic on small lorries. Roads structure not changed. Patched up. Built on peat. Built on railway sleepers (rotted). Not designed to carry 44ton artics. ABC tries best with limited budget but merely scratching surface. Asked ABC to put cards on table. £17m to upgrade roads. Whisky contributions to treasury £200m per annum (source BOH). Make special case to UK Gov. Consider island tar production. Dunlosset ready to invest in tar plant if commitment from ABC. Cost would be half what they're paying for repairs. Tar more durable than current method. Suggesting – spend needed £20m and then how do we maintain roads. Golden goose, providing much wider benefits than tax receipts for treasury. Islay and Jura increasingly popular.

BOH - Look at Shetland Oil fund Zetland CC Act 1974 – raising funds for Islay (islands) – roads – ahead of meeting sent letter and survey to every household. Overwhelmingly the main issue is roads.

7. Road network - A&B Council (Jim Smith) (see slides appended to minutes)

Responsibilities also include Marine infrastructure & waste management. Port Askaig Council responsibility. Potential for further expansion for larger vessels. Landfill site on Islay – 2021 new way for waste. Issues Backlog maintenance figure of £200m in roads investment. £17m for Islay and Jura. ABC more investment in capital. Road conditions will slightly improve. Capital programme £16m (£8m a year). This will fix network but significant funding gap. Traffic volumes – low vs rAB but higher HGVs – 1000 vehicles per day (AADTF). 17.2% HGVs – 26 HGVs per day. All average. Higher percentage of HGVs. Counters around road network at mo. Slight growth in HGV traffic. Roads investment for Islay/Jura £900,000 – number of schemes underway. Rev budget £400k for Jura, Islay (and Colonsay). Winter/Floods etc not included. Scan survey done – but not done every year. Scan survey does 32 markers. Road condition index. Red, amber, green. Red – failed and vice versa. Slide with road condition index for Island.

8. Pressure on transport infrastructure - Transport Scotland (Richard Hadfield)

Operational issues. Interesting stats on growth. TS do gather own stats. Shows traffic growing, freight and tourist traffic growing. Demand growing. Commitment to another vessel to address increased demand. Since 2007 – scot gov invested £1bn (prob closer to 1.5bn) in ferries. Investment = new port infrastructure, vessels, 36% car traffic, 20 % – commercial, 20% passengers. Increases suggests increased tourism, sense of economic growth activity, wellbeing, trying to ensure growth can continue and sustainable. RET gen. welcomed. Has brought challenges re capacity all over network. Fleet under pressure. 2 major vessels since 2011. Not removed vessels from fleet (8 to 10) – whole fleet deployed. Not much available capacity. Jura – also needs ferries. Ferry resp of ABC. 5.6 yrs ago – involved with DT in bringing in funding from Scot Gov for Craighouse Tayvallich service. Looking forward – different model needed. Need study work for long-term. Facing challenge – Islay by 2028 – back to where we are today. Need to establish a plan post-2028. Sit within wider infrastructure plan re Islay/Jura. 3 vessels? 1 freight? Bigger ports then bigger ships? Other ideas – bring mainland port closer to island – increase capacity via frequency. Overland route to Jura – comes up. Different models/ideas. Did intend to do bigger study work. Funding for study

available (tbc). Discussions with Scottish futures trust. Broad accelerator model. If objective re employment etc. then funding available. Money still needed up front. Bring in SFT?

9. Air Travel – Highlands & island Airports Ltd (Inglis Lyon)

Air passenger numbers increased from 22k – 32k in recent years. How good could it be? Sep 17 – competition between Flybe and Logan air. Fares reduced by 2/3rds. Generated extra 33% extra business. Not good economics but shows what can be achieved. Fares, frequency, choice and profiles. Rural depopulation if islands are inaccessible. Also – take out to worldwide market. Marketing currently fragmented. Work with airlines? Example, codeshare can work – Loganair plus Flybe. . Not just marketing to Glasgow etc. but to rest of world. “codeshare”. Current Loganair fleet profile 27 years. At some point how do we replace these aircraft? With what. 15/20 years – manufacturers moved into larger aircraft, running costs far lower. 30-40 seat aircraft no longer being made. How do we maintain, provide links – current craft 30 years old. Global appeal of Islay – 4 corners of globe to come to Islay via air. Glasgow, Edinburgh, London etc... lets be sure as part of Brexit, all existing arrangements for thru travel stay in place.

10. Islay & Jura post-Brexit – Michael Russell MSP, Brexit Minister

Important to be upbeat. Problems of success. Special characteristics. Pressure on ferries is via success. RET was previously good idea. Has produced its problems. Transformation of public service to match success that exists. Of course lots wrong. Inability to meet expectations. Massive task which can't be done by one organisation.

Challenge. Air transportation. After 29th March 2019 – caveat – cannot guarantee to deliver service. Membership of EU international agreement, regulation of aircraft, guarantees etc. down to EU. If not negotiated in next 12 months, agreements will fall. Renegotiation = global agreements. Best outcomes – (1) single market, customs union membership. Still not as good as we have now but keep in place. (2) free trade agreement – Canadian agreement would be much worse than now – but still some prospect of continuing important issues, fishing, agriculture will be affected (3) Reverting to WTO rules. Massive bureaucracy, everyone challenges everyone else. Need to be very good at negotiating. People, money, regulation. Already shortage of people. 20% of 260000 people, will retire in next 10 years. If no EU migration, shortage can't be made up. People big issue. Money big issue. Agriculture, without subsidy – no agriculture on this island. Indirect payments investment infrastructure, social, regional funding. Will there be an alternative? Shared prosperity fund been announced but no detail. Regulation – getting regulation in place for March 2019 or 2020 – massive job to be done – but not started. Complicated business. 3 outcomes – in matrix – look at problems. Not insoluble. Whisky global business. Markets will be unpredictable. Huge opportunities – Brexit will challenge over long period of time. Every biz, org needs to articulate of single market opportunities are preferable.

OPEN DISCUSSION (2): Towards a shared strategic vision

BOH: Establish Economic Group Forum to include Council, HIE, industry, Community Councils.

HY: Why not replicate Arran group (suggested visit). HY will put us in touch. Don't limit to only route. Keep pursuing rural growth deal. BOH to follow up.

FH: Look at both. Voice of businesses, tourism, agriculture etc. Look at city deals, Ayrshire Growth deals. Tourism infrastructure new to the concept. Do something similar to Arran – Link up with rural growth fund. Private housing – must be potential option. Building growth. Growth accelerator opportunities. National investment fund. Partnerships nat gov, local gov and private sector.

CS: ABC has not focused on rural growth deal because specific Islay and Jura. Detailed discussion with AB to bring this to focus. Aspiration – same time line as Ayrshire. Could bring back specific detail, already well into the process. Have structures to engage with businesses. Ambition – wide-sweeping approach to rural growth. Areas of strength, areas of growth. Don't displace that growth from other parts of Scotland.

BOH: Economic group for Islay and Jura – not mutually exclusive. Working well for Arran. Spoken many times re rural growth deal, also spoken to David Mundell. Do we agree worth pursuing? CW will assist if poss. Shaping to business requirements, chaired by business. Getting agenda driven by business.

PM: Growth deal – FH point – infrastructure investment – goes beyond what growth deal. Data essential. What will private sector facilitate? Get feedback from UK – innovation/uniqueness. Softer – skills development and talent management. Like engagement with businesses to help make cases. Keen to engage with businesses here.

Islay Econ Group – support HY. Economic Group become very good model. Happy to work with group going forward.

HY: Islay seen as separate to AB, just as part of economic group conversation – have discussion around how Islay is marketed separately – value in promoting that. Don't lose uniqueness.

JN: First step – Establish how you want to brand the island.

JP: Industry/infrastructure – strength is people, infrastructure starts with people, not community CPR. Feed into growth across communities.

BOH: Problems of success. Responsibilities to communities now and of the future benefit from success, Overriding priority – sustaining achievable sustainable economic growth. All committed to meeting those challenges and being part of solution. Shared vision.

CW: Keep momentum – scope transport needs group.

BMu: We have economic growth but no ferry system. Ferry is the one thing that's holding island back. Ferries unbelievable. Not been in such a bad position at night. Requirement to move lorries around – ferry too busy. Haulers constantly juggling. Haulage on island has 2.5 weeks grace if ferries go bang. Something has to be done.

HY: Ferries are enabler of growth. Some is longer term. 5 years etc. Focused/keen on scoping study. Feasibility study – is a freight option commercially viable? Could be Calmac? Does it add up? Port infrastructure etc not short term plan. Short term solutions – come to HY – if we have resource we'll do it.

Is commercial freight a viable option? Is this a useful route? ARRANGE. Scoping Exercise & Feasibility Study.

Calmac: Problem of success. Anything Calmac can do short term – happy to have an input.

BMo: Already feeds input into Transport Scotland. Need more? SWA happy to assist.

JP: Stats involved with Calmac. Data not what it should be. Lots that could be done to improve management of space available. Data inaccuracies could mean space not being utilised.

ACTION POINTS:

1. Establish Economic Group Forum to include Council, HIE, industry, Community Councils. Engage with Arran Group and arrange joint working session. (BOH)
2. Scoping Exercise/Feasibility Study – Commercial Freight Operation. (HIE)
3. Distillery growth: Is there a Third party who the distilleries will trust with that information in confidence? (BMo/HIE)
4. Identify employment and skills gaps. (TBC)
5. Housing capacity and local needs. (TBC)
6. Look at options re Shetland Oil Fund – BOH to establish local petition and present to WM. (BOH)