



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Economy and Fair Work Committee

**Wednesday 1 December 2021**

**Session 6**



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**Wednesday 1 December 2021**

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**ECONOMY AND FAIR WORK COMMITTEE**

**13<sup>th</sup> Meeting 2021, Session 6**

**CONVENER**

\*Claire Baker (Mid Scotland and Fife) (Lab)

**DEPUTY CONVENER**

\*Colin Beattie (Midlothian North and Musselburgh) (SNP)

**COMMITTEE MEMBERS**

- \*Alexander Burnett (Aberdeenshire West) (Con)
- \*Maggie Chapman (North East Scotland) (Green)
- \*Jamie Halcro Johnston (Highlands and Islands) (Con)
- \*Fiona Hyslop (Linlithgow) (SNP)
- \*Gordon MacDonald (Edinburgh Pentlands) (SNP)
- \*Colin Smyth (South Scotland) (Lab)
- \*Michelle Thomson (Falkirk East) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Dr John Lee (Scottish Grocers Federation)  
Ewan MacDonald-Russell (Scottish Retail Consortium)  
Colin Smith (Scottish Wholesale Association)

**CLERK TO THE COMMITTEE**

Anne Peat

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

### Economy and Fair Work Committee

*Wednesday 1 December 2021*

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

### Decision on Taking Business in Private

**The Convener (Claire Baker):** Good morning, and welcome to the 13th meeting in 2021 of the Economy and Fair Work Committee. Our first item of business is a decision on whether to take in private item 4. Are members content to do that?

**Members** *indicated agreement.*

## Scotland's Supply Chain

09:30

**The Convener:** The main item of business is the fourth session in our inquiry into Scotland's supply chain. The inquiry is looking at the short and medium-term structural challenges that are faced by Scotland's supply chain, and how the challenges and shifts in supply chains are impacting on Scotland's economy. We want to consider how to build future resilience and whether there are opportunities to develop domestic supply chains.

This week, we are looking at the retail sector. I thank our panel for joining us in person. I welcome Dr John Lee, who is the head of policy and public affairs at the Scottish Grocers Federation; Ewan MacDonald-Russell, who is the head of policy and external affairs, at the Scottish Retail Consortium; and Colin Smith who is the chief executive of the Scottish Wholesale Association. As usual, I ask members and witnesses to keep questions and answers as concise as possible, and we will get through as much as we can.

I will start with the first question. In the evidence that we have heard over the past few weeks, we have identified issues around Brexit and trade concerns, the global impact of Covid, and problems with labour and skills shortages. Does the panel agree that those are the key issues that are affecting our supply chain, or are other areas impacting on your businesses? I ask Ewan MacDonald-Russell to answer first.

**Ewan MacDonald-Russell (Scottish Retail Consortium):** Thank you for the opportunity to give evidence. That was a bang-on summary of the big-picture stuff. I will give our supply chain perspective. Our members tend to have UK-wide supply chains, so some of what I will refer to will relate to that broader basis. The situation in Scotland is analogous to the UK situation but, where there are exceptions, I will identify that.

From your previous sessions, the committee is probably well aware of the global challenges, such as cost and other issues in global shipping, and the mismatch that we have had between manufacturing capacity, particularly of non-food goods, and demand in the global north. That issue is well known.

From our domestic point of view, labour is probably the biggest challenge. There is a particularly acute issue with heavy goods vehicle drivers, which has been the biggest challenge that our members have had to reconcile. That is partly a structural issue—we have seen a decline in the number of HGV drivers since 2016—but obviously that was massively accelerated at the start of the

pandemic, when a huge number of European Union drivers went home. That was partly because of Covid, partly because of EU exit and partly because of things such as tax changes and IR35 affecting the fiscal viability of some of these things.

As we have seen over recent months, that has massively impacted on our supply chains, but the situation has stabilised. It was very challenging in September; it remains challenging, but it has not become worse. The reason why it has not become worse, with regards to HGV drivers and the system more broadly, is one of short-term cost. Retailers have to make Christmas work. It is the most important time of the year for us, so there has been a huge short-term cash investment, which, I am afraid, we are seeing come through in higher prices.

The British Retail Consortium's shop price index came out this morning, and it showed that food prices, for example, are up by, I think, 1.2 per cent, and they were up 0.5 per cent last month. We are seeing month-on-month increases in costs, which are now being passed to consumers. That is the HGV driver issue.

Labour issues are affecting distribution and, to a degree, stores. Those issues are slightly less acute in Scotland, because we had fewer EU workers in those areas to start with. However, I would say that labour is the single biggest challenge in what is a very broad—it is worldwide—difficult situation.

**The Convener:** A Westminster committee is looking at similar issues. I think that, last week, it reported that supermarkets were looking at narrowing the Christmas range that they offer. Rather than having gaps on shelves, which consumers might see, there would just be less variety on offer, so that supply chain issues do not look so obvious. Do you recognise that?

**Ewan MacDonald-Russell:** I would say that that is completely accurate. It is one way that retailers have had to manage the issue. When you have fewer vehicles, you focus on core range and the core products that people want. That is why I can say, with a lot of confidence, that I am sure that everything that you would expect to have for a traditional Christmas dinner will be available, but the full range of things that you might look for might not be there. There might be three pickle varieties, rather than five or six, and you might not get as many types of mince pies. You will still get mince pies and pickles, but not the range that we would like to offer. That is a way that we can manage the challenges of supply chain disruption so that we can still get it right in store for consumers.

**The Convener:** Dr Lee, would you like to respond to my question about what supply chain challenges your organisation is facing?

**Dr John Lee (Scottish Grocers Federation):** Thank you. You mentioned Brexit, the pandemic and labour shortages, and there is absolutely no doubt that all of those are big challenges. In fact, they are interacting, which is making them even more pronounced.

What we are really seeing is a post-Brexit, post-pandemic macro-level restructuring of the United Kingdom economy. For example, as Ewan MacDonald-Russell alluded to, we are beginning to get really concerned about cost-price inflation. It looks like inflation is heading for 4.2 or 4.6 per cent, and there are real concerns about rises in interest rates. The Centre for Economics and Business Research has estimated that, in 2022, families will spend £1,700 more per year on household costs. We are beginning to see concerns about the impact of that and the fact that it might lessen consumer demand.

Brexit, the pandemic and labour shortages are absolutely all big challenges but, overall, we are seeing an economic restructuring of the UK and there is no way that Scotland can be immune to that.

Skills shortages, which Ewan MacDonald-Russell mentioned, are a big challenge for the convenience sector. I am sure that Colin Smith will touch on this, but part of the problem is that the supply chain is so integrated. Most convenience stores, although they are independent, will have a close relationship with a large wholesaler, so any problems on the wholesale side have a knock-on effect on convenience stores. The integrated nature of the supply chain is a problem in itself.

I will set out what we suspect has happened, although I do not have any granular data on this. There has been a massive move to online shopping, which has partly been accelerated by the pandemic. A lot of the companies involved in that are now expanding their operations and taking on new staff. They are making their terms and conditions of service quite attractive, so there is a bit of a labour market merry-go-round, in which workers are moving away from retail—including convenience stores, for example—to other parts of the labour market, which is causing labour shortages. Also, the pandemic is still having an impact. Across the supply chain, we are still seeing absences due to people testing positive and having to isolate.

The issue of labour shortages is probably one of the most pressing ones that we have at the moment.

**The Convener:** We heard last week that, although people can think that supply chain

shortages are due to drivers, there can be breaks in other points in the supply chain—it can be in any area, such as digital or logistics—that cause shortages.

**Dr Lee:** I totally agree. I am sure that Colin Smith will touch on this more, but a problem in a warehouse will lead to a problem in a convenience store, because the supply chain is so integrated. It is not just the drivers; it is the people who take the orders at the cash-and-carry and the people who pick the products and prepare them for delivery. Of course, there can also be problems on the shop floor itself. There can be staff issues right across the supply chain, as you say. Its integrated nature is in itself leading to challenges.

**The Convener:** I move on to Colin Smith. As well as responding to the initial question, I ask him to talk about the written submission that we received, which I think also went to the Rural Affairs, Islands and Natural Environment Committee. In that, you raised your members' financial and long-term viability concerns. Can you talk about those, as well as the key problems in the supply chain?

**Colin Smith (Scottish Wholesale Association):** Certainly. Thank you very much for inviting us today.

The Scottish Wholesale Association represents the wheels of the food and drink industry. We represent the food and drink wholesalers who are servicing the 5,000 convenience stores that John Lee represents and 30,000 hospitality, tourism and leisure businesses, as well as public sector bodies such as schools, hospitals, prisons and care homes.

In Scotland, 90 per cent of our industry is made up of small and medium-sized enterprises. There are a lot of family-run Scottish SMEs, and that is where the challenge arises for us. Those businesses might not have the scope and scale that the national wholesalers have, or the buying power that is required today to achieve the availability that John Lee's members or businesses in the hospitality industry expect.

I agree that people and product availability are the big issues for us—especially product availability. We are reliant on national supply chains. A lot of the food comes in from the EU through England and into Scotland. We are at the furthest end of the supply chain, so any problems down south cause a big problem for us. A shortage of drivers down there means that stock does not get into Scotland. Once stock gets here, we do not necessarily have as big a problem with HGV drivers, although our sector is still 10 per cent short of drivers to get stock into the shops that we supply.

That is actually slightly better than the last time that we surveyed our members. We were running at around 15 to 18 per cent short, but we have trained staff who are already in our businesses to drive lorries. We have taken staff off the shop floor and put them into cabs. That has had an impact on the availability of staff such as pickers in our warehouses and sales staff. Although we are 10 per cent short on drivers, we are also 10 per cent short of staff in the rest of the business, which is putting pressure on picking items to get them into the lorries.

On the product coming into our businesses, in the central belt, we are running at about 85 per cent availability. That means that, for every 100 cases that we order, we get 85 delivered, which means that there is a shortfall of product going into the retail sector. It is 85 per cent in the central belt but, the further north that you go, such as into the Highlands and Islands, the worse it gets. There is a bigger cost to producers and manufacturers to get product up there. In the Highlands and Islands, we are running at about 70 per cent: for every 100 cases ordered, we are getting only 70.

An additional problem is that the producers and manufacturers who are supplying our warehouses are delivering less frequently. Previously, if we ordered on a Wednesday, we would maybe get our order on Friday. We are now not getting orders for at least a week, or even up to two weeks. The lead time is a lot longer, and the short goods are off sale for twice as long. That has meant that we are having to stockpile in our warehouses even more than we would normally. We have members who are stockpiling up to three times as much stock as they would normally, which is causing huge commercial problems for the business, especially regarding cash flow. That is on top of debt that we have already been lumbered with coming out of Covid, as we have had to take on bounce-back loans.

Cash flow is a real problem in our warehouses. We wrote to the committee saying that we have viability issues, because 90 per cent of our members are SMEs and they have severe cash-flow restrictions. We had no Government support in the way that retail and hospitality had through rates relief. Thankfully, the Scottish Government gave us the wholesale food and drink resilience fund, which genuinely saved some businesses from going to the wall. The UK Government has given nothing to wholesalers, albeit that discretionary rates relief is supposedly coming through in the next few weeks, after which there will be consequentials. We are asking the Scottish Government to give that money to Scottish wholesalers as a rates relief extension.

I hope that that gives an idea of where we are and the situation that we are in with staffing,

drivers and product availability, and the vulnerability of the supply chain, especially up in the more remote areas.

**The Convener:** You said that 90 per cent of your members are SMEs. I think that you have 68 companies that are members. Are quite a lot of them small? It is not all big players.

**Colin Smith:** We have 70 wholesale members in the association, which represents 98 per cent of all wholesale sales. Of those members, 90 per cent are Scottish SMEs. The nationals make up the other 10 per cent, but they represent a far bigger proportion of sales in the industry. If we are to make structural changes in the way that we deliver food in Scotland and if we want to support local producers to distribute through wholesale into convenience retail, we will be heavily reliant on those SMEs. They are nimble and can adapt. They are more forward thinking, and they do not have to go through the same cogs and wheels in order to distribute producers' products and get them from the farm or wherever on to the shelf, and on to the plate.

09:45

**The Convener:** That is helpful—thank you. I will bring in Fiona Hyslop.

**Fiona Hyslop (Linlithgow) (SNP):** Good morning. Thank you for joining us. We are looking at building resilience into the supply chain. We are interested in your views on what can be done, primarily by policy makers but perhaps also by banks and others, to help to build resilience for your sector in the short and medium terms. We would be pleased to hear from all of you on that.

**Ewan MacDonald-Russell:** That is a really big question. Our members have pretty integrated supply chains. I will speak about them first, before making a point about the supplier perspective, although I am not as qualified to speak about that.

From our point of view, in the immediate short term the steps that have been taken have been enormously helpful. Colin Smith mentioned rates relief in Scotland. We have been incredibly fortunate in that we have had two years of full rates relief, except for retailers that have not felt the need to take advantage of that. That has allowed businesses up here to keep afloat—it will have kept businesses open.

As rates and people are the two big costs for retailers, that support is really important. That is why we hope that, when the budget is announced next week, there will be, if not the same thing, some sort of modest reduction. That is the single biggest measure that will help our members because, at the moment, cost is hugely problematic.

More broadly, on resilience and skills, our members in Scotland have a challenge, in that they get little access to skills support or funding. A few years back, the UK Government decided to create the apprenticeship levy and to change its format so that the revenues passed to Holyrood, whereas, of course, the previous skills funding from Barnett consequential did not. That has led to a pretty iniquitous situation for retail. Something like 2 per cent of the flexible workforce fund has been spent on retail, and the number of retail modern apprenticeships has fallen by 44 per cent.

From our perspective, we have specific skills issues—HGV drivers are a great example—and there is a lack of skills in driving productivity and making our businesses more efficient. There is not really support for that at the moment for retail. Instinctively, those are the two big examples. There is also a wider point to be made about infrastructure, which we can touch on.

More broadly, looking further down the supply chain, I note that the lack of access to labour and systems that work effectively to allow seasonal or short-term labourers to come here is incredibly problematic. The short-term visa scheme for poultry workers has been a success. It has allowed EU poultry workers to come in to fill a very specific gap in the economy. That is why I feel confident that we should have plenty of turkeys for Christmas. Flexibility on labour would be enormously helpful to us and—particularly in food—our suppliers.

**Fiona Hyslop:** I will come back to the infrastructure issue later. For now, I would like to hear from John Lee.

**Dr Lee:** It is a difficult question to answer. Earlier, I mentioned the restructuring of the UK economy, but it is clear that there are global economic issues at play here, too. One of the key underlying factors in the rise of inflation is the increase in energy costs. Clearly, it is very difficult for the Scottish Government or the UK Government to do something about that.

As Ewan MacDonald-Russell mentioned, staff costs are a massive issue for the sector. Anything that Government or policy makers can do to keep costs down is hugely welcome. We have strongly supported the call from the Scottish Retail Consortium to look at business rates. The Scottish Government has, in essence, provided us with a two-year holiday on business rates, which has been a lifeline for a great number of businesses.

If a sensitive and realistic approach to the reintroduction of business rates—perhaps at a reduced rate—were taken, that would be very welcome. Small retailers benefit hugely from the small business bonus scheme. I am not trying to make a party-political point here, but I sometimes



think that the Scottish Government does not get the credit that it deserves for that scheme, which has been a lifeline for small retailers. The Government is to be congratulated on its commitment to maintaining that throughout the lifetime of the parliamentary session. It is a practical and tangible way of supporting businesses.

Turning specifically to resilience, over the past few years, we have encouraged our members to make as many business connections as possible with local Scottish suppliers, which we think is a potential way of reducing supply chain problems. Some of that work has been very successful. At the moment, we have the “Go local” programme, which is supported by the Scottish Government. The aim of that is to maximise the space in a convenience store that is given over to locally sourced Scottish products.

Having that local pace and making connections with local businesses and Scottish manufacturers could be a way of building more resilience into the sector, although, admittedly, that is probably for the long term. It could make the sector less susceptible to wider supply chain issues.

Anything that keeps costs down would be welcome, but there is an issue about sourcing locally and making businesses more convenience ready, so that they can take advantage of the convenience channel. We need to make sure that convenience retailers can form such business relationships.

**Colin Smith:** On rates relief, in relation to what the Scottish Government can do, wholesale did not get any of the rates relief that was offered to the retail and hospitality sectors. We ask that the £145 million of consequential that is coming from the UK Government be given to wholesalers in the way that is intended, as rates relief or discretionary rates relief, or that the Government works with us to look at where support is most needed in our sector. If it was decided that rates relief was not the best mechanism, we could help to distribute the money to where it was required.

On the resilience of supply chains, I commend the SGF for everything that it is doing with the “Go local” programme. We need to support, and are supporting, that programme. John Lee and the SGF are getting the retailers ready to display more Scottish product and to have more interactions with local producers.

At wholesale level—supported by the Scottish Government’s recovery fund and in conjunction with the Scottish Agricultural Organisation Society—we have developed a programme on delivering growth through wholesale supply chain partnership training and education, which Scotland Food & Drink is helping us to deliver. That is about

educating wholesalers on the benefits of working with local producers and suppliers to get more Scottish product on to our shelves, into our vehicles and into retail and hospitality outlets. It is also a training programme to educate Scottish producers on how to deal with wholesale. The route to market in wholesale is a slightly different model from the one that is used to put boxes in supermarkets or to export. There are different capacity issues. It is a question of training producers on the benefits of wholesale as a route to market.

That programme has started. The workshops in its first phase, which will take place in January and February, are oversubscribed. We are looking for further funding through the recovery fund to continue its roll-out. In addition, we have put in a request to Government in relation to phase 2, which is about direct investment in wholesale to overcome some of the challenges that have been identified in phase 1. Those challenges mean that wholesalers are not necessarily stocking as much local product as they might so, through the programme, we want to overcome some of those barriers in order to get more local produce into our warehouses.

The delivering growth through wholesale programme is also about sustainability, reducing food miles and not being as reliant on imported goods as we have been. It is about the resilience of the food supply chain, as well as delivering growth and reducing food miles.

We have another project on the go, which is about decarbonisation of the wholesale industry. There are three phases to that. Colin Beattie is aware of phase 1, which involved identifying a baseline for fleet emissions from our sector and how we can decarbonise those. Phase 2 involves looking at our buildings, and phase 3 involves looking at our people.

In the wholesale sector in Scotland, we are doing a lot to create more sustainable supply chains and routes to market.

**Fiona Hyslop:** It is very interesting to hear about the parallels and the interconnection between resilience and sustainability, and decarbonisation generally.

Ewan—you wanted to comment on what policy makers could do on infrastructure. I take it that the banks have been quite happy with you and that you and your membership are quite content on that. It occurred to me that, in relation to cash flow, there might have been a point to make about resilience. If no one wants to pick up on that, we will hear from Ewan on infrastructure.

**Ewan MacDonald-Russell:** On one side, there is the physical infrastructure. The big routes that the retailers use, such as the A1, M74 and A9, and

the connections to Cairnryan will remain really important. Those are the arteries.

Rail is being used by a lot of retailers, partly because we have pretty strict commitments to get our logistics to net zero by 2035. Most members are in what they think is an okay place at the moment, but we face a huge challenge in getting vehicle fleets changed. We need to bring in electric vehicles, green vehicles and other alternatives. There are things that policy makers could look at in that area. That is partly an infrastructure question—we must ensure that we have charging points, universal charging stations and fast charging—but it also involves issues such as how the VAT system works for buying green vehicles. That is perhaps an issue for the UK Government rather than the Scottish Government. Another issue is whether fiscal or capital incentives are there to encourage the transition.

Retailers already do a lot by having highly efficient vehicles and making sure that routes are planned properly and that supply is uninterrupted, but we are very aware that a step change is needed if we are to get to net zero. When we think about resilience and infrastructure, it is critical that we do so from a green perspective, because that is where the industry will be in 40 years' time.

**Fiona Hyslop:** Thank you. I know that colleagues want to pursue some of those issues.

**The Convener:** We move to Jamie Halcro Johnston.

**Jamie Halcro Johnston (Highlands and Islands) (Con):** Good morning, and thank you for coming. I have two questions, which I will go through quickly.

My first question is for Ewan MacDonald-Russell. You have already talked about some of the issues. There are supply chain problems across Europe and the shortage of HGV drivers is a global issue. Those problems are not exclusive to the UK, but they are still problems.

Previous witnesses have talked about global supply chains not necessarily coming back for 18 to 30 months; there are major issues there. In the past few weeks, Asda has chartered a ship to ensure that supplies can come in from abroad. Do you think that we will see more of that? Will some of your members build their own supply chains, instead of relying on the traditional normal supply chains, which are under pressure?

**Ewan MacDonald-Russell:** The short answer to both questions is yes, but I will elaborate. The global supply chain issues are massive. Disruption continues to be caused by the pandemic. That is partly to do with the fact that, when there are different lockdowns and rules and restrictions, there is a ripple effect.

It is also to do with the fact that consumption patterns are unpredictable. With stuff that is manufactured in the far east, we think, "In three months' time, my consumer will want X." We did not anticipate that everybody would keep buying televisions. That is a glib way to put it, but it is not just a UK or Scottish phenomenon; it is happening internationally. There is a dissonance between goods and services.

There are problems with other supply chains, too—semiconductors is the classic example. A variety of materials are needed. Not all those things will get fixed. Because the situation is fragile, supplies are very vulnerable to disruption. That is why the boat getting stuck in the Suez canal was a great viral social media moment. It also caused enormous problems, because the system is extremely stretched.

There are huge structural problems to do with the issue of HGV drivers, because it is a difficult profession. People need to be highly trained and it is incredibly unsociable. One relevant challenge that we have experience of, which I am sure is true elsewhere, is the fact that lots of the work further into the supply chain is often quite challenging and involves unsociable hours. Where we have labour shortages—as we do in the UK and, as you said, elsewhere—it becomes more appealing to do other things. There is a pull factor to "I'd rather do something else than this." That is probably quite good for the individuals concerned, but it certainly presents real challenges from our side of things.

**Jamie Halcro Johnston:** I do not know whether either of the other panel members wants to come in on that.

**Colin Smith:** I am happy to. With regard to the question about retailers building their own supply chains, it would be very difficult for our members to procure ships. It is extremely difficult for our members—especially the smaller ones—to meet the minimum requirements that suppliers are demanding of them. That is the other impact that our members are facing.

Those that can fill full pallets and full trunckers will get the stock. For example, if we take a pallet of beans, it contains 96 cases, each containing 24 415g tins of beans. That is 2,304 tins per pallet, which costs £1,300. If wholesalers are asked to buy a truncker, which is 26 pallets, we are now talking £15,000. A wholesaler cannot afford to buy that amount of stock if they are maybe selling only two or three pallets a month.

10:00

That is a critical point. The large producers and manufacturers are now making demands and saying that they will be able to fulfil and deliver

only if people buy that sort of volume. That is because there is a shortage of drivers and a streamlining of processes, and the producers are making a commercial decision. That benefits only the larger and national wholesalers and is to the detriment of the smaller ones. Creating your own supply chain is certainly not possible in our sector. We have probably been seeing that situation for five or 10 years but, unfortunately, Brexit and Covid have exacerbated it. We do not see it going backwards.

There is a fundamental problem that needs to be resolved. I do not necessarily have the answers, but there will be more consolidation in the wholesale marketplace. Phase 3 of the delivering growth through wholesale programme was actually starting to look at how we pool resource, not just among our members but among those from the Road Haulage Association and all other sectors to start to look at geographical hubs for food and other supplies, and how that might work. That is a much bigger project, and the Government could and should be looking at that. We can certainly help with it, because I do not think that the current situation is going to reverse.

**Jamie Halcro Johnston:** So you think that probably in the medium to longer term we will see a consolidation in that sector and, in the short term, perhaps increased prices, which might be pushed on through to Dr Lee's sector.

**Colin Smith:** Most definitely. We are seeing food price increases. Ewan MacDonald-Russell mentioned 1.2 per cent. Oil has gone up 50 per cent in the past three months. Cheese and dairy products have gone up 40 per cent in the past month and a half. There has been a 25 per cent increase on pasta and core goods. Our fuel prices have gone up 50 per cent since this time last year. Therefore, the cost to us to serve convenience and other stores is going up exponentially, and we cannot absorb those costs when we are on 1.3 per cent net margins.

I will take this opportunity to say that the public sector bodies that we supply have been good. A lot of price increases are going through to schools and hospitals, but it is just the start. Further price increases are already starting to come on to our members' desks for January, and they start at 5 per cent. Although there are food price increases now, we are already seeing price increases coming through for January.

**Jamie Halcro Johnston:** Many of your clients will be under pressure, and will always be looking for the best deal and best price that they can get.

We will probably come back to this, but I want to ask a question about trying to find solutions, or at least where improvements can be made. It is about consistency. During the pandemic, a lot of

businesses in the hospitality sector were closed, then open and then closed again, so demand was up and down, which must have caused big issues, particularly for your sector. In Scotland, what can be done, whether by the Scottish Government or local authorities, to ensure that supply does not go up and down like that? It is also about the practical side of being able to deliver to clients. Where are the barriers at the moment, and what is it important for the Scottish Government and local government to do?

**Colin Smith:** We will always get fluctuations. That is down to the consumer. They expect everything to be on demand and on the shelves when they want it but, if you go back 30 or 40 years to when we were all kids, we were buying locally and seasonally. When we start to look at the local supply chain, we will have to educate people so that they understand that we cannot continue with the approach of things always being there—they are going to have to take what they can get when they can get it. That goes back to the sustainability piece. If we are serious about getting to net zero, I guess that we cannot continue bringing in food from all over.

One thing on which we need to work with local authorities and other public sector bodies is the realisation that we will not always be able to deliver what they expect. There must be more flexibilities in the substitutes that we are able to give. A lot of schools are handcuffed in what they can and cannot take. I will use the example of pizza, because it was one that I gave to Food Standards Scotland yesterday. There is a set type of pizza that comes in from Europe, but it has not been available, so one of our wholesalers got pizza made to the same specifications in Scotland. However, it was more expensive, and the school said, "No, we can't afford that." The wholesaler did his best to make sure that the school got what it required, but it came at a cost to the wholesaler. There needs to be a bit more flexibility and understanding. If we are going to go down the local food route, it will be more expensive. Local authorities and the Scottish Government, which funds the local authorities, need to bear that in mind.

**Maggie Chapman (North East Scotland) (Green):** Good morning, and thank you for coming in. Ewan MacDonald-Russell and Colin Smith have both spoken about the shortages of, and issues with, HGV drivers. I want to explore that and, in light of what Jamie Halcro Johnston said, to ask about what lessons we can learn and what we can do in the future. What impact have the policy announcements had on the various changes to how HGV drivers can function—such as those on the emergency visa scheme and changes to HGV testing capacity—had on the shortage of drivers? How is that situation different

from the example of the poultry worker that Ewan gave earlier? Also, what is the impact on you and your members of the increased labour costs and increased salaries that the drivers have been getting? What can we learn and what do you need for the future?

**Ewan MacDonald-Russell:** The changes on testing have been really helpful. There was a huge backlog in new HGV drivers, because testing was held up during the pandemic. It was immensely helpful of the UK Government to move that on. A related follow-up point, which is in that solutions space, is that we should look again at what skills support training is available, so that we can get more drivers. HGV drivers are key at the moment, and it is critically important that we get them, but it is worth noting that, because retail is changing and becoming much more digital—in terms of digital retail sales, we are not quite at the 65 per cent level that we were at during the pandemic, but we are still consistently at 40 per cent, certainly with non-food retail, and lots of retailers are moving to that—there is still a requirement for drivers not just of great big articulated lorries but of smaller vehicles. There is growth there, and businesses have tended to take that on, so support for training would be helpful.

The point about visas is a good one. To be blunt, the HGV driver scheme was too little and too late. We called for it in the summer. If we had had it then, we would have had time to do the recruitment process and bring people in.

The difference with poultry workers is predominantly that that work is inherently seasonal. Lots of those workers go to different parts of the country. In agriculture, there is real merit in accepting that, at certain times of the year, you need extra labour, and it is labour that tends not to be available locally. For example, people cannot move to Angus and live there all the time just to pick fruit for two months. That is quite a disanalogous situation.

We need to find something that balances those two things. Our big concern is that we still have a shortage of HGV drivers. As we have mentioned, that has been fixed—from a groceries perspective in particular but also from a bigger retail perspective—by increasing wages for those workers. That input cost, alongside a lot of others, is starting to feed through in terms of price rises.

It is important to understand that price rising is very unusual in retail, as we have intense competition, especially in groceries retail. We have a market where there were four big traditional retailers, and then discounters and others came in. It is hypercompetitive, so it is very unusual for there to be price rises, because everyone is terrified of losing market share. The fact that we

are seeing price rises coming through at all is a sign that the pressures are very intense.

There are other ways to reduce costs. You might not have people doing as many hours in a store and you might shift ranges and change things around. Lots of things can happen, but very few of them are to the advantage of consumers—they tend to be deleterious in one way or another, because that is the only way that retailers can manage it. That is how the shortage of drivers, alongside other things, is feeding through right now.

**Colin Smith:** I agree with everything that Ewan MacDonald-Russell said. The difficulty for us is that we cannot give the same wage-rate rises that the supermarkets and larger retailers can afford, given their scale. As I said, we work with 1.3 per cent net margins. We have been trying to take people from the floor and train them ourselves. We have given wage-rate increases, but we cannot just give that to the driver when the person on the shop floor, the sales administrator and the accountant are all doing similarly valuable jobs. Our members have had to give everyone a wage rise to keep them. Across the sector, we have seen a 20 per cent average wage increase.

The visa scheme does not really help us, because we are at the furthest end of the supply chain and our sector has never been reliant on EU nationals or migrants. The problem that we have had is that, because all those people have gone home, there are a lot more job opportunities for Scottish national workers, and they can pick and choose. That is why we have now lost drivers. We are going to have that problem for at least 18 months.

The issue is not just about recruiting drivers; it is about reducing the need for drivers. We work closely with the Road Haulage Association. The Malcolm Group has its 48 for 48 request—that is, 48 tonnes within 48 miles—which is about being able to take containers off rail and on to a lorry to take to distribution hubs. That will take trucks off the roads. I can give you the details on it. There are other possible solutions that are about taking trucks off roads and therefore requiring fewer drivers.

**Maggie Chapman:** Dr Lee, you have not specifically spoken about this, but do you want to add anything?

**Dr Lee:** I recognise everything that Colin and Ewan have said—it certainly resonates with me and our members.

I guess that what happens is that convenience retailers get in their vans and look for more suppliers. I know that Colin Smith is well aware of this, and I hate to admit it, but many of our members are quite promiscuous when it comes to

cash and carry and wholesalers—they will get in their vans early in the morning and try to source product. By and large, there are big problems, but convenience retailers will work hard to try to ensure that they get the product in some way or another.

However, the cumulative impact of that is that they have to work harder. We are getting anecdotal reports from our members that, rather than having one main supplier, they now have three or even four, just to make sure that the shelves are well stocked. That means that they have to devote much more time out of their day just to managing the stock control and delivery schedules and to dealing with two, three or even four suppliers. That is keeping the shelves stocked, but there is a very real cost and burden.

**Maggie Chapman:** Thank you.

**The Convener:** Colin Smith mentioned labour shortages. Is there a difficulty with recruiting people into the sector? You said that you have to rely more on the Scottish workforce now. Is the issue that there is too much competition in the wider employment market?

**Colin Smith:** There is a lot of competition in the market—there are more job opportunities for people to move from one sector to another. It is not necessarily people moving within the food sector; it could be people moving from food into clothing or whatever. There are just a lot more jobs out there, so people are picking and choosing where they work. Our core workforce have always been Scottish, or certainly UK, employees.

One of the things that we have asked the Scottish Government to do, which is critically important because of where the wholesale channel fits in with all the crossovers between Government policy and legislation and the different layers on our side, is to start to look at a wholesale sector strategy that considers all of those issues, including training, staffing, product and place.

10:15

To some degree, we are the educators. We educate retailers and hospitality on new product development, store layouts and new initiatives. Our members are also the symbol brand owners; when you see a convenience store that has Premier or Day-Today or Spar products, those are wholesalers' brands that we are offering to the retailer to give them a competitive advantage against the big multiples and something to hang their hat on to encourage the consumer into their shops.

We are not just box movers and we need to get away from thinking that wholesale is about simply

moving a box. We are educators to the retailers and our members have development kitchens that work with chefs in restaurants and hotels and so on. There is a lot more to us that people do not understand. People leaving school do not know about wholesale, so we struggle to recruit from schools. We need to build a closer relationship with Skills Development Scotland and the developing the young workforce programmes.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I would like to focus on one aspect that we have not explored yet. Over the years, the UK economy in general has moved to a just-in-time standard, which means that you expect the truck to back up to your door at just the right time. It would appear that there has been something of a shift to a just-in-case standard, which involves people keeping more stock than they might have previously, which represents a cost, obviously. How widespread has that been? Is there an indication that that is a longer-term shift?

**Ewan MacDonald-Russell:** I do not know whether that is likely to be a sustained shift. There are probably specific moments when that happens. For example, right now, in the run-up to Christmas, our members have huge volumes of stock going in and are holding extra stock. That happens every year, of course, but there have been a couple of times recently when we have also had to have extra stuff to satisfy demand, predominantly because of things such as panic buying during the pandemic in March last year, when there was a huge challenge. There were also challenges around preparing for the EU exit, particularly when the prospect of a no-deal exit was coming up. Those events required specific things to be managed to make sure that we could guarantee sustainability.

However, I think that, in the long term—particularly in grocery, but in retail generally—it is unlikely that people would want to get to a position where they did not have just-in-time deliveries. Not having a just-in-time system has an efficiency impact on two levels. One involves efficiency around cost, as you do not want stock in warehouses; you want it on the shelves where customers can buy it. The second one involves waste, as the time that it takes to get products from the distribution centres to being in stock and then to being in a customer's house is massively important from a sustainability perspective. Even though around 74 per cent of the food that our members sell is sourced from Britain, we still do not want lots of time between it leaving the farm and it getting people. The sustainability imperative drives a lot of the thinking around the just-in-time system. We do not want to store that produce.

There is a caveat to that in relation to some non-food products in the past year. Because of the

necessary things such as the lockdowns and restrictions on trading, a lot of businesses such as clothing retailers had a huge problem in selling stock, because they were not able to open their doors, so they probably have some products that have been stockpiled. For example, because they could not sell any of last year's spring range, they will launch it next year. However, that is specific to the pandemic, which is distorting quite a lot of things at the moment.

**Colin Beattie:** What about the wholesale side?

**Colin Smith:** I said earlier that we are now having to increase our stockholding, purely to meet the demands of the producers and manufacturers. We would love to have a just-in-time process, but I do not think that it will necessarily go back to that. We are using a just-in-case approach, certainly.

Our members' stockholding has gone up, although it varies depending on who they are and where they are. On average, the bigger guys were running two to three weeks' stockholding, and that has gone up to six weeks now; other members had four weeks' stock and are now sitting with 10 weeks' stock. I go back to the analogy that I used earlier. On that point, if I may correct myself, I said that a trunker of beans was £15,000, but it is £35,000, which is a substantial difference.

In relation to bringing stock in from Europe, we used to work to a two-week lead time for wines from Europe, but that is now up to two months. There have been impacts on planning, forecasting, financial issues, cash flow—everything is a real problem in our sector.

The just-in-time process is still pretty much working in the large supermarkets that can afford to bring in those trunkers in that volume. Ewan MacDonald-Russell might correct me, but one of our larger members said that, while supermarkets are sitting with six days' stockholding, it is sitting with six weeks' stockholding. The supermarkets are able to turn the stock over quickly and get new stock in, but that also means that there is a preferential service for the multiples to the detriment of the independent channel that we supply, including Dr Lee's shops. A resumption of the just-in-time process is a long way off, if we manage to get back to it.

**Colin Beattie:** To be clear, the retail side is more or less still working on a just-in-time basis, but the wholesale side is a different story and you are having to keep stocks.

**Colin Smith:** Yes.

**Colin Beattie:** Obviously, that has cost implications and so on.

**Colin Smith:** It has implications for costs, forecasting and stock that is going out of date. By

the time that it gets to the shops that Dr Lee represents, it will have lost a month's or two month's shelf life. Wholesale businesses supply independent retail channels. Dr Lee can correct me if I am wrong, but four fifths of Scotland's grocery market is multiples and the other fifth is made up of independent convenience stores, which our members supply. That fifth of the market is suffering more than the larger chains and discounters.

**Colin Beattie:** You are talking about a dramatic shift in terms of the volume of goods that you are holding. Where are you finding the storage for that?

**Colin Smith:** That is a very good question. We are struggling; we are bursting at the seams. Some members have taken out additional storage space if they can find it, but the bigger problem is cash flow. Fiona Hyslop spoke about banks. Our members are reluctant to take out more debt, because they are already lumbered with it from Covid and the loans that we had to take out to pay our staff and overheads. We still had to pay electricity to run chillers and freezers.

I am not painting a pretty picture, but that is the reality of the situation at the moment.

**Colin Beattie:** Do you see that as a long-term situation? Will you have to continue doing that?

**Colin Smith:** Yes. Our members are saying that they do not see any end in sight within 18 months. It partly goes back to the supply issues such as the shortage of drivers who were bringing the stock from the manufacturers and producers to our warehouses, but it also involves the shortages in raw materials that come in from Europe such as cardboard, plastic and aluminium. There are still some CO<sub>2</sub> issues. There is a cacophony of problems.

**Colin Beattie:** You mentioned the possibility that the situation could last for 18 months. Is it that based on anything other than hope?

**Colin Smith:** No—it is purely that.

**Colin Beattie:** Is there any tangible evidence that the situation will be fixed in 18 or 24 months?

**Colin Smith:** The estimate of 18 months is based on when we hope that labour supply issues will have ironed themselves out, specifically in relation to drivers. The issue is getting products from port to warehouse to store.

**Colin Beattie:** In relation to ports, you said that wine that used to take two weeks to get from the continent now takes two months. That is a huge issue. Even if we solve the internal issue in relation to the supply chain, there is still that tricky bit at the border that you will have to compensate for.

**Colin Smith:** The stock is not necessarily sitting at the border for two months—I sincerely hope that it is not. It might be at Felixstowe. Europe has the same problems in relation to labour and Covid; they have a shortage of staff to make the wine and whatever else, so it is not just about problems at the ports.

Nobody has a crystal ball; I am just conveying our members' feelings on supply chain issues.

**Colin Beattie:** I think that there is a lot of hope there. Dr Lee, could you comment on behalf of your members?

**Dr Lee:** You asked a good question and set out a good analysis of the way that the sector has developed over the past few years. You are absolutely right—the business model for convenience stores is fundamentally based on just-in-time stock control. There are a couple of reasons for that. We are talking about fast-moving consumer goods and a high level of impulse buying; customers expect the product to be available to them. In a typical convenience store, there are around 4,100 separate stock-keeping units—products with individual barcodes. We have to offer a huge range of products to customers, because typically, if a customer walks into a convenience store and cannot find what they want, they go back out again and do not come back.

The just-in-time system has been facilitated by technology. Most of Colin Smith's members will have apps that link the retailer directly with a wholesaler. It is now quite easy to order online exactly when you need it, in theory, and get a fairly rapid delivery. That just-in-time model is now the fundamental business model of a convenience store.

The question about moving to a just-in-case system is interesting, but it would be massively problematic for convenience stores for one main reason, which is that they simply do not have the storage space. As Ewan MacDonald-Russell mentioned in his opening remarks, the grocery retail market in the UK is hypercompetitive, so to remain competitive, convenience retailers have had to maximise every metre of selling space in their store. Every inch has to be profitable, so storage space has been dramatically minimised over the past three years.

It would be difficult for them to move towards the just-in-case system, but it is interesting to hear what Colin Smith said about how the wholesale sector seems to be evolving. Will that have an impact of the business model of convenience stores? Possibly. It is an interesting discussion, but at the moment convenience stores very much use a just-in-time model and it would be a challenge to move towards a just-in-case one.

**Colin Beattie:** It appears that convenience stores, like other retailers, are anticipating that the wholesaler will provide that just-in-case back-up, but there will be a cost to that, which will feed down at some point.

**Dr Lee:** Indeed, which shows how important wholesale is to the supply chain.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** I want to ask Ewan MacDonald-Russell a question about just in time. John Lee talked about his members using a range of wholesalers to maintain stock levels. I notice that, increasingly, the shelves in larger supermarkets are filled with advertising cards rather than products and that more space is given to certain products—previously, a product might have had a frontage of two or three columns, whereas it now has six, seven or eight columns. Are the challenges for larger supermarkets in maintaining stock levels different from those for the convenience store sector, given that it has its own distribution system?

10:30

**Ewan MacDonald-Russell:** I am very disappointed that the cunning plan to put up a couple of bits of plastic did not quite work, but never mind.

To be more serious, I think that that reflects the point about range that was made earlier. Given the challenges with HGV drivers at the back end of the process, and the challenges in getting stuff from distribution centres to stores, as well as in getting stuff from producers and suppliers into DCs in the first place, decisions are made to do things more simply. As you say, a delivery might have more of one type of crisps or whatever.

There is also the challenge in that things are coming in in a slightly less organised way than we would like it to be. Given that we do not have as many drivers, we have to organise for when we think deliveries will come in, but they sometimes do not come in on exactly the schedule that we are used to. As John Lee said, the back end of the process for a large retailer is incredibly optimised. It is worth noting that an awful lot of large retailers have convenience store formats, so they have the same sort of issues, albeit that they are a little bit more tied into where they get stock from.

The issue is more that our decisions are made at a different level. John Lee's members have local flexibility that means that, in the morning, they can say that they need a specific thing and then get it, whereas we have a more central planning system that looks across the board, which obviously loses that flexibility. The flip side is that our system allows us to prioritise equality of access, for example. If there is a challenge in

getting a particular item of stock, it will be shared across the whole estate, not just in the central belt. I know that that is important to rural members, because we get a lot of questions from them when we have challenges. That is one of the real benefits of our system.

Those on-going challenges are almost like a concertina. One minute, everything is fine, then everything is squeezed and the challenges come back, so we are just trying to bodge it as best we can. That is the best way to put it at the moment.

**Gordon MacDonald:** Colin Smith said that regional development hubs might be able to address some of the challenges. Are there any other bottlenecks in Scotland's supply chain infrastructure that need to be addressed?

**Colin Smith:** I cannot give any specific examples. Our members distribute across the whole of Scotland, but 68 per cent of wholesalers are based in the central belt, with the remainder being based up in the Highlands and Islands. Those in the central belt also distribute all around Scotland, including in the Highlands.

My point about distribution hubs or regional hubs is that those could be used to share resources and to allow local producers to distribute to one central point—maybe in Inverness—and then one of our members could distribute down into the central belt. We are also starting to look at the implications of Covid and all the minimum drops, and at whether we should use such a system for national producers as well as for local producers.

I am perhaps not answering your question.

**Gordon MacDonald:** Does anyone else have any concerns about the infrastructure in Scotland and the need to address it?

**Dr Lee:** Unfortunately, I am not very close to the issue, but I am sure that we could give the committee a bit more information. There is a long-standing problem with infrastructure and deliveries to island communities in Scotland—there are long-standing and seemingly intractable issues with ferries, for example. I know that that subject is becoming a bit politicised, so I do not want to get into it too much, but those problems definitely exist and have probably been exacerbated by the pandemic.

It is more expensive to deliver to the islands. Companies seem to whack on an islands premium, if you like. There are also always the vagaries of the weather and so on. I just want to flag up that there is an on-going problem, which affects bigger supermarkets as well as convenience retailers. Getting products to the islands in a timely fashion and making sure that

they are adequately supplied is a long-standing issue in Scotland.

**Gordon MacDonald:** We have talked a lot this morning about staff shortages, whether of HGV drivers or warehousemen. We have also previously heard about shortages of vets, hygiene inspectors, butchers and farm workers, produce being out of stock, short deliveries and longer lead times. We have talked about all those problems. What does the Scottish or UK Government need to do in order to address those problems?

**Dr Lee:** I wish that I knew. As we said earlier, anything that can keep costs down for businesses is welcome. However, purely from a convenience retail point of view—if this sounds like a plea for more funding, that is because that is exactly what it is—I go back to the go local programme, which I talked about earlier. It is funded by the Scottish Government, which is fantastic and really welcome.

Moving towards net zero is a massive challenge for us all. Retailers want to do that, and they know that that will save them costs, but the initial capital expenditure is always a problem. Anything that can be done to help with that will be massively useful.

A few years ago, we worked with Zero Waste Scotland to develop a good programme to give small retailers grant funding for energy efficient store refits. The programme was massively successful, but budgets change and things move on, so that programme is no longer up and running. If small amounts of money can be channelled to small retailers, they can make the money go a long way. They want to do that work.

The store of the future will look very different because of net zero. It will be smarter and cleaner in terms of energy efficiency. This will be of no interest to normal people, but a massive debate is going on in the sector about refrigeration and whether to use air-wall technology or whether to fit doors to chillers. If retailers get that right, they can save 33 per cent of their energy costs, so retailers want to do that. However, the issue is often about finding the initial capex—capital expenditure—to make those changes. It would be good if we could do something around targeted programmes. Such programmes do not need a lot of money—retailers can make the money go a long way—but they would go a long way towards building resilience and helping us with the transition.

**Ewan MacDonald-Russell:** At the risk of repeating myself, I say that I think that a couple of things could be done. First, we need a coherent labour strategy at UK and Scotland levels that ties in specifically to food. The UK Government is looking at a food strategy, and a good food nation approach is being taken in Scotland. We need



consistency and to ensure that our migration policies reflect what we need. That is not meant to be a political comment; it is a reality that certain things help to drive the economy.

The second point relates to Government and industry. The combined work on skills cannot be done by the Government in isolation. Our members do a lot of work on that, but the question is how we tie that up and ensure that the work happens at pace. A challenge that our members find with skills training is that, although the structures that we have in place are very worthy, they are not necessarily adapted to a retail world where things change every six months. I think that I have gone through about four enormous transformational moments in the past five years. We see huge adaptation, and it is about finding a way of working with the right agencies to make sure that we have the right skills.

Retailers also need to make sure that they are providing good jobs, with proper remuneration and the right conditions and approaches to attract really good people. Traditionally, our members put a lot of work into that, and they must keep doing that. We cannot just say, "Oh, it's terrible. We can't get people." We are required to offer the right package, flexibilities and development and to create diverse workplaces. We have to do a lot of that, and I think that that is fair.

My final point, which might not sound as though it is directly relevant, is that a bit of economic growth is needed, to be honest. A lot of the big challenges, which are worse in Scotland, are a result of absolutely dismal retail sales for the past 18 months since the pandemic kicked off. Our most recent sales monitor showed that sales are something like 11 per cent down on pre-pandemic figures, and footfall is down. It is hard to deal with those challenges when trading is difficult, because that income is not coming in. A lot of those problems are quite tough, but they get reconciled a bit if there is a bit of consumer spending and growth. Consumer spending and growth tend to correlate. That is a much bigger problem but, thankfully, I am not qualified to say exactly how we get the economy growing. Economic growth is the single biggest thing that would reduce those pressures a little.

**Colin Smith:** I go back to a previous point. My members up in the islands will be killing themselves, because I did not mention the point that John Lee made. The supply chain is a problem and a pinch point, and there are higher on-costs in serving to the islands. Availability to the islands is at 70 per cent, whereas it is at 85 per cent in the central belt.

On the support that we are asking for from the UK and Scottish Governments, we have already mentioned discretionary rates relief. We want to

make sure that those consequentials come through to Scottish wholesalers. Our sector is working at about 80 per cent of pre-Covid sales, so we still have a long way to go. We need the markets to continue to open up, because we will not get back to pre-pandemic levels until we get tourists back. I know that that is not within the committee's gift; it all depends on the on-going outbreaks. Having tourists back will certainly help.

I want to back up what John Lee said about the "Go local" programme. Such programmes are about supporting the back end of the wholesale supply chain and getting more local products into the wholesale channel. We want there to be continuing support through direct investment in wholesalers in order to deliver growth and get more product into our warehouses. As I said, a proposal is on the desk of the Government's food and drink team.

We have identified our sector's challenges in decarbonising the wholesale industry. Every year, we emit a baseline of 111,000 tonnes of CO<sub>2</sub> through our 2,198 vehicles, 88 per cent of which use fossil fuels. We have 1,052 HGVs, and there is no solution at this point to getting them to net zero. We are working on solutions with Arcola Energy, Scottish Power and other partners. We are doing trials and test beds, but we need Government investment to continue to allow us to do that.

Our decarbonisation project report contains six asks of Government, one of which is to recognise the Scottish Wholesale Association as the sectoral lead for the food and drink industry, certainly on the decarbonisation of our fleets, so that we can share across the sector our learnings with the developers.

If we are serious about getting to net zero emissions, the private sector will invest. That came out of the 26th United Nations climate change conference of the parties—COP26—but we cannot do the work alone. If the private sector is left to find the solutions and invest on its own, all that will happen is that the big companies will do that, because they can afford to do so, and all the smaller businesses will be left behind. There will be a complete competitive disadvantage—the big will just get bigger, and the small will get smaller. There needs to be a recognition that the Government needs to support, in particular, small and medium-sized enterprises in their journey. That might involve subsidising vehicles, because a hydrogen HGV is four times more expensive and an electric one is two times more expensive. There needs to be partnership between the private sector, wholesalers and the Government as we look to achieve net zero emissions by 2045.

**Colin Smyth (South Scotland) (Lab):** I turn to the impact on high streets of the issues that we

have been talking about. There are no cities in my region yet, but there are lots of market towns, including Galashiels, Lanark, Dumfries, Stranraer, Ayr and Kilmarnock. They are all suffering from the same thing—a massive number of empty shops. Obviously, digital shopping accelerated quite significantly during the pandemic. What assessment has been made of the extent to which that has continued as lockdown measures have been lifted? Has it eased off? What are the implications for retail, logistics and infrastructure of that trend? If you have other policy initiatives to support our town centres that you have not touched on already, it would be good to hear what they are.

I will kick off with Ewan MacDonald-Russell because I appreciate that he will have a big list of policy initiatives that he wants to give the committee.

**Ewan MacDonald-Russell:** For transparency, it is worth pointing out that there are purely online retailers within the Scottish Retail Consortium's members. We have both sides of the street.

We track high street footfall every month. It is down; it was down 17 per cent last month, which was good, to be honest, because it had been 20 per cent down on pre-pandemic levels before that. We have certainly not heard positive things about last month compared to the pre-pandemic figures. There has been a big shift to home working; there are understandable reasons why people are not going back into the office and people are not coming into town and city centres.

The biggest trends have been in relation to high streets and shopping centres, which have been particularly hard hit. The reductions in footfall in shopping centres are a wee bit higher.

Out-of-town shopping centres have done a little bit better. The reduction in footfall in them will be largely short term, because private transport is more convenient and people feel safer using it, and the stores in question are a bit bigger. Those are the physical retail trends.

10:45

Digital sales have fallen back from the heights of last year, which is hardly surprising, given that we could not go into shops then. Currently, those sales are still up at 40 per cent, which will increase a little bit this month. November is always a big online month, because everyone does pre-Christmas shopping and we get what used to be black Friday and is now—this description probably covers it better—black Friday month. Consequently, there is a really big digital element of sales right now.

The impact on vacancies has been that they are at a six-year high.

As I have mentioned, retail sales have been pretty dire across the board for some time. We know, particularly from the high street perspective, the shops that have been most affected by restrictions; fashion shops are a great example, because they are so-called non-essential shops. Such shops have missed out on something like £4 billion-worth of turnover in Scotland during the past year. The reason why is quite straightforward: the shops were closed for 220 days.

However, there is good news, although not a huge amount of it, in that customers are much more efficient in stores.

In terms of how we reconcile that, one aspect is the artificiality of the situation. We hope that, eventually, people will go back into offices and city centres. There has been an economic effect from their not doing that.

I mentioned another aspect previously: we talk about it all the time, so it will not surprise anyone to hear that the Scottish Retail Consortium thinks that business rates are a problem. Physical retailers in town and city centres often have much higher rates—that was certainly the case when the previous revaluation was done. They carry fairly significant rates bills. On top of that, many of them will be subject to the higher property tax rate. That is worth noting.

I note that Scotland's normal poundage rate is lower than the UK one. There has been real headway made on keeping the rate down. Five years ago, the rate was tied to the retail price index, which made it very punitive. However, Scotland also has a higher property tax rate than exists elsewhere in the UK, which affects the biggest properties. The Barclay report said that that should be reduced. On rates overall, revaluation should help, but rates are still a huge burden and challenge.

Beyond that, one thing that we have not seen in Scotland but have seen elsewhere is customer incentives to encourage people back into physical shopping. In Northern Ireland, there is a shopper-incentive scheme—people are given a £100 voucher to spend on the high street. The anecdotal data that we are getting back is that, unsurprisingly, giving people free money is popular. That is causing a footfall bounce and probably a sales bounce, which is happening just at the right time. Such specific initiatives to get people back into the habit of going to town and city centres makes a really big difference.

**Colin Smyth:** Before I bring in John Lee and Colin Smith, I want to touch on the supply-chain issues. You mentioned earlier that we might not be able to get things for our Christmas dinner that we

got in the past, because of shortages. Is there evidence of that so far? Do people fear that they cannot get products on the high street—the right size, the right item or some other aspect—and are just saying, “I’m not going to do this: I’ll order online”, because they will get what they want by doing so?

**Ewan MacDonald-Russell:** I note that a lot of our members’ online and physical businesses are heavily integrated. One of our footwear businesses might say that it doesn’t care whether it gets sales through the store or the website. However, the incentives that are set affect that business. If, for example, it is very expensive for me to run a physical business and my digital business is cheaper, I would probably do more for the digital business in my investment decisions. I would take that approach because my returns would be greater.

There probably is a bit of the fear that you mentioned among customers. However, the flipside of that is that people order stuff online and can often get it quicker by popping into the shop to collect it. Our members are pretty canny about getting people in the door in pretty much any appropriate way they can.

**Colin Smyth:** Thank you. I put the same question to John Lee.

**Dr Lee:** It is a good question. In Scotland, there are just over 5,000 independent convenient stores and the figure has remained broadly stable over the past 12 months. However, over the same period, we have seen a loss of about 5,000 jobs in the sector. In 2020, 47,000 people were employed in it; the figure has dropped to 42,000 people in 2021. Unfortunately, we do not have a lot of granular data, but we suspect that most of the losses have been in the town and city centre locations that you have mentioned. They have suffered the greatest impact in terms of drastic reductions in footfall. Stores seem to be putting a massive effort into staying open. However, one of the things that they have had to do to remain in business is consider staff numbers. This might sound like a minor point, but how will we cope with a socially distanced world?

This, too might sound like a minor point. As we move towards encouraging more active travel and people returning to town and city centres, traffic management becomes really important. It is very easy to put through a road redesignation or a new traffic management order that blocks how a convenience store gets its deliveries or how customers access it. Local authorities can do a range of things in that regard. In encouraging active travel, they should ensure that what they do does not impact on business. I might be wrong, but I think that, at the moment, local authorities do not have to do a business impact assessment

when considering roads designations. They used to have to do a range of consultation exercises, but I think that many have been suspended because of emergency legislation that was passed during the pandemic.

Traffic management and road redesignations are big issues for small stores. As we move forward, it should be mandatory that local authorities carry out business impact assessments on proposed road changes. That would be quite a big step forward.

**Colin Smyth:** That is a very useful and interesting point. It is easy to park in an out-of-town development, but not in front of a convenience store.

I put the same question to Colin Smith.

**Colin Smith:** John Lee and Ewan MacDonald-Russell have answered the question succinctly. Impacts on the high street filter back to the supply chain and our members.

Although convenience retail has been impacted, the biggest impact has been in closure of hospitality businesses in our sector—that is, businesses that we supply but are still not open. That also has an impact on the retailers that we supply; because the sales of our members have reduced, the cost to serve is higher.

I will pick up on John Lee’s point about traffic management and road designation, which is a big concern of ours. We supply convenience stores and hospitality businesses on the high street. Redesignations, road closures and timed delivery slots suddenly coming into force all make it very difficult for us to manage our fleets and deliveries. Deliveries can start in Glasgow in the morning and end up in Dundee in the afternoon, but we might suddenly find that we cannot do deliveries because we can get on to a certain street in Glasgow only between 7 o’clock and 9 o’clock in the morning. As we have found with the Edinburgh festival, the changes cause logistical challenges—a logistical nightmare. That is just one city. Glasgow is looking to pedestrianise the city centre during the next 10 years, or whatever.

The other two witnesses and I sit on the retail strategy steering group. I think that the group’s draft report is out—the whole report will be coming out shortly. That has industry’s proposed solutions for reinvigorating our high streets, town centres and so on. It will be an interesting read.

**Colin Smyth:** Someone once described Dumfries town centre to me as being a place where people used to go to the shops and maybe have a coffee, but now they go for a coffee and might go to the shops. Obviously, hospitality has taken a bigger chunk of our high streets. Is the retail footprint in our high streets too big? Do we

need to accept that the impact of digital shopping means that we reduce the retail footprint in our town centres?

**Ewan MacDonald-Russell:** I am very happy to answer that, because the answer is quite straightforward. Yes—we have fewer shops.

I will caveat that with two things. First, I represent coffee shops. They are fantastic and we do not have a problem with them being on high streets.

Secondly, the broader point is that the retail footprint is shrinking and has been for a while. Covid has done that. It has taken out a lot of retail models that were probably pretty close to being unsustainable. We can list big brands no longer being on Princes Street as a great examples.

The change will not mean that physical shops are not present or that all town centres will not maintain those shops. There will be places that are vibrant and attractive and that work well because they have a good offering. That is about, from a local perspective, the reason why people come into town. If there is a great food offering, people will come in and do a bit of shopping at the same time, which is great. If there is more hospitality than retail, that is probably quite healthy.

The fact that the big department store at the far end of Princes Street, for example, is now the Johnnie Walker experience is evolution; it is not necessarily a problem.

The challenge exists where there is no reason for people to go to the high street. Our concern, which we have articulated a few times, is that in less-affluent places where there might not be attractive reasons for people to go the town centre, retail businesses will think that they can cover that digitally. That is certainly the case from a national or multiples perspective. It is, of course, different for food retail. However, from a non-food perspective, it is hard to operate stores at scale. It is costly; businesses must have models that work and, in most cases, the model must work online, too.

A couple of retailers in our membership do not have an online presence—such retailers are quite rare. I always think that it is worth noting that, when we get into a discussion about online versus the high street, the vast majority of high street retailers operate online as well and have gone on that channel because it is the right thing for their business. The situation is not straightforward, I am afraid.

**Alexander Burnett (Aberdeenshire West) (Con):** Despite a lot of our inquiry understandably focusing on local issues, it is clear that the shortages and issues are affecting the whole

world. It is a global issue. What solutions have the witnesses seen elsewhere in the world? How informed are your Asian or American counterparts, for example? What are they saying and doing? What are they feeding into their Governments? As we come to the end of this evidence session, this is an opportunity for you to raise any solutions that might not have been mentioned.

**Dr Lee:** That is a really good question. Clearly, as I have said, there are global issues including energy prices, product supply and availability of HGV drivers. I must say that we are probably guilty of focusing too much on the local problems, so we tend therefore to focus more on local solutions. However, it is absolutely clear that we are not immune from the global pressures that you mentioned.

On convenience retailing, we would probably see most of the solutions as coming through that local focus. Targeted Government intervention and a realistic approach from local authorities are needed to support businesses. Fundamentally, those are the aspects that we would focus on. As I said earlier, convenience stores can make a small amount of money go a very long way. The future as we see it would have targeted, costed and very focused interventions that will help to build resilience in the sector and make us slightly more immune to the global pressures.

**Ewan MacDonald-Russell:** Retail as a model works at scale in many places, so a lot of the answers that we see in other parts of the world are broadly similar to what we need. There is a need to look at skills training and cost burdens. There is also online interaction to consider. Those things probably are not massively different in different places. Of course, different Governments respond in different ways, so it is hard to find analogies.

One thing that we are noticing is that cross-jurisdiction business is becoming harder with such challenges, which adds an extra element. In that respect, it is worth noting that the UK Government's decision to delay checks on products coming from the EU is very welcome. The checks would have been challenging. Of course, the checks are still coming—the process will start next January. We also know that, for example, sanitary and phytosanitary physical checks are coming next July.

It will be really interesting to see what that does. On one hand, the checks will present challenges for bringing in products because there will be a new level of non-tariff barriers. However, the flipside is that that will, to a degree, reset the playing field. At the moment, products that are coming in are not subject to the same rules as those going out. I suspect that the effects will be quite big. I am not a trade expert so I do not know how exactly that will work out and am not able to

comment in more depth. I simply note that July is as good a time as any in the year for that to happen because we source most of our food domestically at that time.

**Alexander Burnett:** Do you have any interaction with similar bodies in other countries, such as an American retail consortium, or any at state level?

**Ewan MacDonald-Russell:** Our main traditional engagement at Europe level has been with EuroCommerce. Beyond that, we have tended not to be so focused on other parts of the world. We have members who operate from elsewhere or are headquartered elsewhere, but we tend to be more Britain-focused. Our regulatory regime is so different; parts of it are not analogous with those elsewhere.

Our members see what is happening elsewhere all the time. Global retailers like Amazon and eBay look constantly at how their operations need to adapt to, and work in, different jurisdictions. Arrangements are surprisingly specific, because frameworks and regulations are so distinct. There is some learning to be done, but the general principles of selling stuff and keeping customers happy are often quite difficult to reconcile across jurisdictions.

**Alexander Burnett:** Thank you very much. I put my original question to Colin Smith.

11:00

**Colin Smith:** On our looking at and speaking to counterparts elsewhere in the world, there is no such trade body elsewhere. Food and drink wholesaling in the UK is unique.

We have mentioned this issue previously, but I will raise it again. The challenges that we face in implementing the deposit return scheme in Scotland are because no other scheme in the world, let alone the UK, has a similar distribution supply chain. There is no one to learn from. We work closely with our counterparts in the Federation of Wholesale Distributors down south. Its members who are UK based and have services in Scotland are having the same challenges.

The situation is not unique to Scotland—it is a UK supply chain issue. Everything that I have described today is a challenge that we need to work together to overcome.

**The Convener:** Does Jamie Halcro Johnston wish to come in?

**Jamie Halcro Johnston:** Yes. The Highlands and Islands were mentioned, as were islands issues. I represent the Highlands and Islands. Sometimes, we feel that we are at the end of any

supply chain, but we know the work that goes in to deliver to us.

We have talked about infrastructure. What infrastructure improvements do you want? If we do not see those changes, where are we likely to be? Might we see some people pulling out of delivering to the Highlands and Islands? Are we likely to see prices increase or choices being limited?

**Ewan MacDonald-Russell:** I am happy to kick off on that. I will split the question and answer it from a groceries perspective. The communities in the Highlands and Islands are incredibly important. The retailers in those areas have strong local connections and a market that works. People in Orkney still want to buy groceries, so the necessity to stay there will remain.

On transport, road links matter: they are very important. Points have also been made about ferries. Those boring traditional infrastructure links are big things that make a huge difference.

On the non-food sector, I tried to articulate earlier the challenges in response to Colin Smyth's question about whether the market is sustainable in an area or whether it will become more digitally focused. That is very difficult because sometimes digital does not work in more rural communities and is not feasible. Online margins also tend to be very low. Much of the time you will find that retailers are reluctant to offer a big digital service in rural areas because it is less affordable. To a degree, that probably helps local shops, because they do not have the same competition that there might be in—I will pick an arbitrary place—Dumfries. There is a likelihood in those areas that businesses continue to maintain the market while accepting that the challenges that we are facing are pretty intense.

**Michelle Thomson (Falkirk East) (SNP):** We have had a fascinating session so far. I will pick up on a few final threads. We have had a lot of chat about cash flow and margins, which I absolutely understand. That can lead to consolidation and so on. On the proposals for 20-minute neighbourhoods, I note that retail, and particularly small retail outlets, will play a vital role in that regard. I want to understand what opportunities and/or risks are brought about by consolidation and, in relation to your comments about cash flow and margins, 20-minute neighbourhoods and sustainability within that. Will you flesh that out a wee bit more? I know that we have touched on each of the different areas.

I would like all the witnesses to answer that question, and I ask Ewan MacDonald-Russell to go first.

**Ewan MacDonald-Russell:** I will make a couple of points in relation to 20-minute neighbourhoods and the planning framework. First, not many

retailers are expanding their physical retail estate at the moment, although that is the case for some that are moving into other premises. The provision that we have is probably quite close to what there is likely to be.

From our perspective, retail is evolving under the hybrid model. If people want to live within 20 minutes of all the things that they need, online will probably play a part in that. In Edinburgh, that is less relevant, but in other places it is about managing that and accepting that digital works as a solution within the model. We can see how such things have evolved, not just with non-food goods, but with the way that food goods and short-term things happen. It is not just about how we find ways to make sure that those businesses are thriving and supported; it is also about ensuring that the valuable back parts of them are based up here.

The big change that digital brings is that people do not need to have a shop in every place, so they have a lot more flexibility around where they place the big and valuable infrastructure. The places that need those big suppliers are important. That creates quite a lot of competition and people will think about whether they want their infrastructure and supply chain to be placed in Scotland or the north of England. Both are relatively competitive. It sounds silly to talk about the very local element of 20-minute neighbourhoods and then say that it is actually a national planning and tax thing, but the two things interrelate surprisingly closely.

**Dr Lee:** It is a really good question. We became aware of the emerging debate about 20-minute neighbourhoods just over a year ago, and we became very interested in it, because local convenience stores could play a massive part in that plan. When we survey local people, the two amenities that they say are most important are a convenience store and a post office. Convenience stores provide very local jobs—most staff in convenience stores live within 10 minutes of their workplace—and most customers live within much less than a mile of the store. In addition, convenience stores increasingly provide many other valuable services to customers, such as post office services, an ATM, bill payments and click and collect. Convenience stores would seem to be at the heart of the agenda.

I am not trying to do anyone a disservice, but the debate seems to have quietened down quite a bit recently. The Scottish Government did set up a 20-minute neighbourhood unit. I am not sure which directorate it is in, but we had some engagement with it a few months ago. I am not sure how the agenda is developing, but it is interesting and it seems to be worth pursuing as we look at having more local amenities, reducing road miles and making everything within reach of

local people. It is a very exciting agenda, but I am not sure how far it is moving on within Government at the moment.

**Colin Smith:** We are aware of 20-minute neighbourhoods, which are part of the retail strategy discussions. Wholesale plays an important part in that with regard to distributing local products, supporting as many local producers as we can and reducing food miles. The 20-minute neighbourhoods are about decarbonisation, which is what we need to be doing as suppliers to those neighbourhoods. We are not going to have a wholesaler in every 20-minute neighbourhood. Obviously, we supply across the whole of Scotland, but we recognise that we need to do our bit and ensure as best we can that what goes into those stores is sustainable and sourced locally.

**Michelle Thomson:** We heard a great comment earlier about consumer behaviour: “We did not anticipate that people would keep buying televisions.” I cannot remember which of you said that, but perhaps you have all been quite optimistic today in looking to what will happen when we get over the hurdle of these 18 months and Covid. However, let us allow ourselves to be somewhat pessimistic and imagine that we will be in a similar scenario, with all the additional barriers that you have outlined due to Brexit, in three years’ time. I am interested in what the effect might be on consumer behaviour, because there is a bow wave or a time lag. Looking back, people have demanded that stuff be available just in time. If you allow yourselves to be pessimistic, what concerns would you like to bring out that we might not have heard today?

John, you are smiling—you are obviously happy to be pessimistic for me.

**Dr Lee:** Well, it is such a Scottish thing. [*Laughter.*] It is a good point. Forgive me, but I am more pessimistic about the increasing regulatory burden on small businesses, and particularly convenience stores. A convenience store is a small space, but it is increasingly becoming a highly regulated space, and the burden of compliance, training and ensuring that people are up to speed on legislation is becoming more and more onerous for small businesses.

For example, we recently had the implementation of Natasha’s law, which we had to do. Given the tragic circumstances behind that, it is impossible to argue against it, but the implications for small retailers were quite considerable, because they have to be able to accurately label everything in terms of ingredients and allergens. That is just the latest example. I do not want to turn this into a discussion about deposit return, but that is coming down the line.

The regulatory burden is a massive issue and it only seems to be increasing.

A convenience store is not just a small business; it is more useful to see convenience stores as microbusinesses, because they typically employ only eight to 10 people. We need to consider the capacity of microbusinesses to deal with the increasing burden of legislation and compliance, which seems to be getting worse all the time. We could say that legislation creates a level playing field, and it does to an extent, but it is always easier for bigger businesses to deal with it, as they have bigger budgets, backroom operations, training budgets and centralised functions, than it is for small businesses. We need to be aware of that.

If we could find a way of making sure that different parts of the policy process spoke to one other when policy was being developed and implemented, that would help. It is very difficult. If it was not, we would have done it by now. However, that is something to be aware of.

I am not too pessimistic about the supply chain issues. They exist, but we will ride out that storm. However, it is important that we do not forget about the underlying issues that impact on the sector.

**Ewan MacDonald-Russell:** I do not think that I ever have difficulty being pessimistic. The consumer side is really concerning. The rate of 4.2 per cent on the consumer prices index including housing costs is very worrying. If the Bank of England is right and that dispels, that will be great, but if it does not, the bank will have to take action. Even small increases in interest rates affect homeowners, but they also affect anyone else who is involved in borrowing, whether that is commercially or not. Such things can suddenly get away from themselves. Inflation at 4 per cent worries us on a number of levels, not least because it shrinks consumer spending, and we know that consumer discretionary spending is already pretty tight. That is on the input side. If we are not getting sales and customers do not have anything, that makes it harder.

I will leave aside whether big or small businesses are best placed to deal with horrible regulatory burdens, but we can safely say that they can be challenging. I also recognise that, a lot of the time, there are really good cases for them. There is lots of evidence for some of those things.

My general plea—the committee does a lot of very good work on this—is that we ensure that public policy interventions are proportionate and reasonable. If we consider minimum unit pricing of alcohol, there was a huge evidence base that that measure would have huge public health benefits, so it was easier for us to reconcile that. We

understand economic things, and if there are huge benefits of other types, we get that and understand the rationale. When the evidence is not there and things are not put through that rigorous approach, it is much harder, to be honest. If there is good public policy that is well evidenced and proportionate, we will try to make things work, and we really want them to be successful.

The immediate challenges are very difficult. We have flat sales and costs are going up, but sticky price theory means that prices are not really going up at the same rate, which can create enormous pressure on some businesses. I am worried that, if we do not get good Christmas trading, we may not have quite as many members in January as we do now.

On the other hand—I am sorry to flip back to optimism—retail might in many ways have already been through the worst of some of that. The past 18 months have been utterly brutal, because we were having a huge transformation in the industry anyway, as digital came in. Customers and models were changing, and then we got absolutely hammered with all the Covid restrictions. Because of the way that hypercompetitive markets work, the businesses that have come through that are efficient and effective and they are likely to succeed in the long term, although I am conscious that not all of the economy has gone through that yet. If you want something to be really pessimistic about, retail might not be the worst bit.

11:15

**Colin Smith:** Our concern is that we will continue as we are, with restrictions and potential lockdowns. Our members' biggest fear is another lockdown. We lost a lot of money at the start because of all the fresh stock that had to be wasted. We are concerned that the situation will continue and we will not get the stock that we need, but we will be forced to take volume that we cannot afford.

Producers are cutting back on the number of SKUs—as John Lee said, they are streamlining the number of physical products that they are making and they are producing only the fastest sellers. The result is that the market is all the same, with no competitive differentiation between the product offers that wholesalers rely on, because local products and slower-selling, unique items from manufacturers have been cut. Many of John's retail stores and our members are reliant on own-brand, own-label products, but many of those have been scrapped, because the brand owners—the big brands that are also producing the own-labels—are focusing just on the brand, not on the own-labels. That means more products coming out of John's shops and our wholesalers.

The biggest concern is that we will end up with a purely national supply chain. The 90 per cent—the SMEs in Scotland—will say, “This is too tough. We cannot differentiate and we have rising costs. It’s just a nightmare. We are out.” The nationals will pick up that business, which is a concern up in the islands, where they are struggling. The nationals and the supermarkets that operate on the islands can spread the cost of serving the islands across the rest of their national business. We have four wholesalers in Shetland and two in Orkney, and they are the ones that service the local convenience stores, the hospitals, the schools and the leisure and hospitality sector. If a wholesaler goes, a national will pick up the business, but they will not have the same flexibility in dealing with hospitals or the same differentiation in dealing with local producers on the island.

**The Convener:** I have a final question, which I will put first to Colin Smith. Last week, our witnesses who represented freight and transportation expressed concerns about the changes to customs arrangements for goods from the EU from 1 January. Is your sector aware of that? Do you have any concerns about the changes that are coming up in the next month or so?

**Colin Smith:** Our members do not necessarily import directly. They use forwarders and carriers. I can come back to you on that specific question, but I do not have enough knowledge at this point to be able to answer it.

**The Convener:** Ewan, are the bigger retailers concerned about that?

**Ewan MacDonald-Russell:** An enormous amount of work is going on to make sure that everything is ready for that process. We have members who distribute products from Scotland to Northern Ireland, so we are already having to work with such systems.

As I mentioned, there will be challenges. We are delighted that the work is not happening in December. The physical checks that will come in in July will be the real test of how everything is working, so there is a grace period. As I said, there will be challenges in making it work, but there is probably no good time to do it. As Colin Smith said, we hope that we will not be dealing with a lockdown or anything as challenging as that at the same time, so we can focus on it. However, we have had a lot of notice that this will be happening, and our members are working very hard on it. Some of them have stores in the Republic of Ireland and on the continent, so they are already familiar with some of this stuff. It will be interesting.

**The Convener:** I thank all three witnesses for the time that they have given us and for their expertise and evidence.



## Subordinate Legislation

11:20

*Meeting continued in private until 11:43.*

### **Diligence against Earnings (Variation) (Scotland) Regulations 2021 (SSI 2021/409)**

11:20

**The Convener:** Under agenda item 3, the committee is invited to note the Diligence against Earnings (Variation) (Scotland) Regulations 2021. The regulations update the figures in part 3 of the Debtors (Scotland) Act 1987, which covers earnings arrestment. The Scottish Government has reviewed and updated the figures every three years since 2006. The Delegated Powers and Law Reform Committee considered the regulations on 23 November and no points were raised.

Are members content to note the regulations?

**Members** *indicated agreement.*



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