

24 October 2006

Susan Duffy
Finance Committee
Room T3.60
The Scottish Parliament
EDINBURGH
EH99 1SP

Dear Ms Duffy,

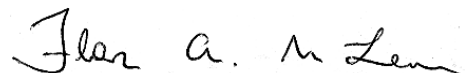
**SCHOOLS (HEALTH PROMOTION AND NUTRITION) (SCOTLAND) BILL –
FINANCIAL MEMORANDUM**

On behalf of the Scottish Food and Drink Federation (SFDF), I would like to thank you for the opportunity to comment on the Financial Memorandum of the aforementioned Bill.

I have provided answers to the questionnaire (below) and I trust these comments will be taken into consideration (N.B. Questions 5-8 are not applicable to SFDF).

In the meantime, should you require further input or comment from SFDF please do not hesitate to contact me.

Yours sincerely,



Flora A McLean
Director

SFDF Response to the Scottish Parliament Finance Committee Questionnaire Re: Schools (Health Promotion And Nutrition) (Scotland) Bill – Financial Memorandum

Consultation

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Yes. The SFDF response considered a wide range of issues addressed by the consultation including the potential financial impact of this Bill. In addition, two SFDF member companies provided written and oral evidence to a stakeholder session convened by the Executive on 29 June 2006 to discuss the financial implications of the Bill.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Paragraphs 61 and 62 of the Financial Memorandum relate to Costs on Other Bodies, Individuals and Businesses and cite some of the feedback provided by industry during the consultation exercise. However, the comments made regarding the product development cycle have only been partially reproduced and as such, do not give an accurate reflection of what was said and so does not fully reflect what we regard to be the potential impact of the Bill.

“The costs associated with product development (such as factory trials and redesigning packaging) have been absorbed by some manufacturers and have not resulted in higher prices for school catering services. It is not anticipated that the Bill will have any significant financial implications for food manufacturers as changes to nutritional requirements can be built into the product development cycle” (Paragraph 62)

Whilst it is true that food manufacturers can absorb some of the costs associated with reformulation into a product development cycle, the manufacturer has to be given sufficient time - a minimum of 2 years. This point was clearly made in SFDF’s response to the consultation and was also specifically referred to by an industry representative at the stakeholder session with time being described as a ‘key cost driver’. The company stressed - *“If we do not keep them [the costs] within the normal development cycle they can have a serious impact on the business.*

SFDF believes that these comments and the importance of allowing sufficient time to undertake product reformulation were not fully reflected in the Financial Memorandum.

“Some food manufacturers have reacted positively to Hungry for Success and see it as a good business opportunity. They have already developed and are in the process of developing new products that meet the nutritional requirements for vending machines as well as catering services” (Paragraph 62)

Whilst manufacturers continue to reformulate products and develop new products, the “nutritional requirements for vending machines” as proposed in the consultation are, as yet, unknown and therefore SFDF would question the basis upon which this assertion has been made.

“One food manufacturer has commented that healthy products are potentially viable and therefore there is not expected to be a substantial loss of revenue associated with the Bill”. (Paragraph 61)

The commercial viability of products which have been reformulated ultimately depends on consumer acceptance and this includes school children. Nutritional standards and reformulated products will only make a difference if people actually eat these products.

The viability of supplying food and drink products into schools will depend on how achievable the defined nutrition requirements are and also whether or not manufacturers are given sufficient time to undertake reformulation and absorb the costs that this work generates.

“It is expected that overall there will be no material loss of earnings from vending machines and tuck shops as a result of the Bill. However, evidence suggests that the impact of changing products to healthier options may vary across local authorities. One catering provider has reported losses as a result of removing certain products, whereas a local authority has not experienced any loss of earnings as healthier options were phased in to vending machines and tuck shops” (Paragraph 51)

SFDF recollects from the stakeholder session that one local authority noted that following the removal of certain products from its vending machines had resulted in a decrease in revenue of £100,000 p.a – a significant loss of revenue.

3. Did you have sufficient time to contribute to the consultation exercise?

Yes

Costs

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

The Bill does not have financial implications for SFDF as an organisation, rather it will potentially have an impact on our members – food and drink manufacturers who supply products into schools.

Until further details of the nutrient requirements are known and the impact these will have in terms of what products can and cannot be sold in schools, which products need to be reformulated further in order to be offered in schools and in what timescale these changes need to happen it is difficult to accurately gauge the potential costs of the Bill on industry.

The Food and Drink Manufacturing Industry

The Scottish Food and Drink Federation (SFDF) represents the food and drink manufacturing industry in Scotland.

The food and drink manufacturing industry in Scotland has a gross output of around £6.5bn and accounts for circa £2.5bn of total UK exports and 11.8% of the UK sector workforce.

SFDF is a devolved division of the Food and Drink Federation (FDF), the voice of the UK food and drink manufacturing industry. As the largest manufacturing sector in the UK, food and drink manufacturers employ over 500,000 people and have a combined annual turnover of in excess of £69bn. UK food and drink exports in 2003 were almost £10bn.

The following organisations are members of the Food and Drink Federation:

ABIM	Association of Bakery Ingredient Manufacturers
ACFM	Association of Cereal Food Manufacturers
BCA	British Coffee Association
BCCCA	Biscuit, Cake, Chocolate and Confectionery Association
BOBMA	British Oats & Barley Millers Association
BSIA	British Starch Industry Association
CFA	Chilled Food Association
CIMA	Cereal Ingredient Manufacturers'
EMMA	European Malt Product Manufacturers Association
FA	Food Association
FOB	Federation of Bakers
FPA	Food Processors' Association
FF	Frozen Food Group
GPA	General Products Association
ICF	Ice Cream Federation
IDFA	Infant and Dietetic Foods Association
LDT	Lifestyle and Dietary Trends Group
MSA	Margarine and Spreads Association
MG	Meat Group
NABIM	National Association of British and Irish Millers
NACM	National Association of Cider Makers
OHG	Out of Home Group
ORG	Organics Food and Drink Manufacturers' Group
SB	Sugar Bureau
SG	Seafood Group
SIBA	Society of Independent Brewers
SMA	Salt Manufacturers' Association
SNACMA	Snack, Nut and Crisp Manufacturers' Association
SPA	Soya Protein Association
SSA	Seasoning and Spice Association
UKAMBY	UK Association of Manufacturers of Bakers' Yeast
UKTA	UK Tea Association
VEG	Vegetarian and Meat Free Industry Group