

## **Executive Note**

### **DRAFT : The Quality Meat Scotland Order 2008**

The above instrument was made in exercise of the powers conferred by **sections 87, 88, 89, 90, 96(a) and 97, paragraphs 5 to 11 of Schedule 8 and Schedules 9 and 10** of the **Natural Environment and Rural Communities Act 2006**. The instrument is subject to affirmative resolution procedure.

#### **Policy Objectives**

The purpose of the instrument is to establish Quality Meat Scotland (QMS) as a public body from 1 April 2008.

#### **Background**

QMS is currently a private company limited by guarantee and jointly owned by the Meat and Livestock Commission (a public body), NFU Scotland and the Scottish Association of Meat Wholesalers (organisations that represent farmers and meat processing companies in Scotland).

The Agriculture Act 1967 gives statutory responsibility to the Meat and Livestock Commission (MLC) for the promotion and development of the red meat (i.e. beef, lamb and pork) sector in GB. Funding comes from parafiscal levy collected from producers and processors at the time of slaughter or export of cattle, sheep and pigs under the terms of the Agriculture Act 1967. Since 2003, responsibility for MLC functions in Scotland has been delegated, through ministerial direction, to QMS. The Scottish levy is collected by the MLC and transferred to QMS. QMS is accountable to Scottish Ministers for use of the levy.

The MLC is one of 5 agricultural and horticultural levy bodies in the UK, the others being the Milk Development Council, British Potato Council, Horticultural Development Council and Home Grown Cereals Authority. All 5 levy bodies were subject to a review by Rosemary Radcliffe in 2005, at which time the structure of QMS was also examined. Ms Radcliffe concluded that a statutory levy should be maintained across the sectors in order to protect against market failure. She also proposed a new levy board model which involved the winding up of the existing bodies and their replacement with a new, overarching public body (the Agricultural and Horticultural Development Board) for collection of the levy and oversight of corporate bodies (Sector Companies) representing the various industry sectors. The Sector Companies would be responsible for expenditure of the levy.

Ms Radcliffe recognised that her new model would not provide for similar accountability arrangements to those currently in place for QMS. In order to ensure accountability to Scottish Ministers, a separate public body would be required for the red meat sector in Scotland.

Ministers across the UK accepted the Radcliffe model. Given the distinctiveness of the red meat sector in Scotland, Scottish Ministers decided to retain a separate red meat promotion body accountable to them. The new structure is to be established on 1 April 2008.

## **Detailed Points**

### Scope and interpretation (Article 2)

This includes a definition of “export” and “levy payer”, in response to comments received on the consultation paper regarding the need for clarity.

The definition of “levy payer” is “a producer, slaughterer or exporter of cattle, sheep or pigs **or the owner of any of these animals at the time of slaughter**”. The element of the definition in bold is particularly important to the butchers since it means that butchers who buy cattle for slaughter are for the first time clearly recognised as levy payers. As such, they will be able to participate in any ballot on the future of levy.

### Establishment of Quality Meat Scotland (Article 3)

The purposes of QMS, as set out in Article 3, are taken from the primary legislation, i.e. section 88 of the Natural Environment and Rural Communities Act 2006 (the NERC Act).

The functions of QMS are set out in Schedule 1. Respondents to the consultation suggested various changes to the wording of Schedule 1, most of which could not be taken on board because the list of functions is set by section 89(1) and Schedule 9 to the NERC Act. The drafting changes suggested by respondents would not have altered the range and basic nature of activities in Schedule 1.

For reasons of flexibility, Schedule 1 includes all of the functions provided for in the NERC Act. This does not mean that QMS must carry out of all the functions listed at any given time.

### Constitution etc of Quality Meat Scotland (Article 4)

The detail of the constitution is set out in Schedule 2. The provisions, e.g. for procedure, appointments and remuneration, are fairly standard. As suggested in the consultation, the board will consist of not more than 12 members, not less than 50% of whom will be levy payers.

Several consultees including the Scottish Association of Meat Wholesalers, NFU Scotland and the Scottish Beef Cattle Association suggested that there should be a specified number of, for example, processors and producers on the Board. The more flexible approach is to stipulate the percentage of levy payers to be included on the Board and leave it to the selection panel and Ministers to select the most able applicants and ensure a balanced Board. The Order provides for this flexibility.

Schedule 2 allows QMS to establish a reserve fund for the purposes of its functions.

### Acting through subsidiaries (Article 5)

Article 5 allows QMS to establish and delegate functions to a subsidiary company. There is a requirement for Scottish Ministers to approve such a delegation.

## Levies (Article 6)

Details of the levy are set out in Schedule 3. The provisions essentially allow the levy to continue to be collected in the same way as now (it is currently collected from the red meat sector by the Meat and Livestock Commission). One key addition is that levy must be held in trust, in a separate bank account, by slaughterers and exporters. This will make the levy easily identifiable in cases where it has not been passed at the appropriate time to QMS. It will be an offence not to hold the levy in trust.

As recommended by Radcliffe, there will be no distinction between general and promotional levies.

QMS are permitted to contract out the collection of levy. This would allow them, for example, to contract with the Agriculture and Horticulture Development Board for the collection of levy.

The rates of levy must be approved annually by Scottish Ministers and fall at or under the maximum rates set out in Schedule 3. There is not currently a requirement for Ministers to approve levies annually in the red meat sector but the requirement exists for other levies and seems good practice.

## Ballots (Articles 9-11)

The inclusion of a provision for a ballot on the future of levy flows from a recommendation in the Radcliffe report on the levy boards. Ballots may be held no more than once every 5 years and not before QMS has been in place for 5 years.

A ballot must be held if directed by Ministers or if QMS receives within a 3 month period one or more requests for a ballot signed by at least 5% of persons entitled to vote. The percentage of 5% is consistent with company law in relation to the percentage of shareholders required to achieve a resolution at an AGM.

The consultation paper suggested that the qualification for voting (i.e. the requirement to be a levy payer) must be satisfied in the calendar year in which the ballot is held. Since this could be limiting if a ballot were held early in the year, the Order has been drafted to say that the qualification to vote is payment of levy in the twelve months preceding the ballot.

Ministers are not bound by the result of any ballot.

## Report and accounts (Article 12)

The provisions here are standard.

## Offences and penalties (Article 15)

Offences and penalties are specified for breaches of various aspects of the Order. The penalty is a fine not exceeding level 5 on the standard scale (currently £5,000).

**Consultation**

The bodies listed at Annex A have been consulted during the preparation of the instrument.

**Financial Effects**

The instrument has no financial effects on the Scottish Government, local government or on business. The Regulatory Impact Assessment is attached.

Scottish Government Rural Directorate  
January 2008

**CONSULTATION LIST**

Aberdeen Angus Cattle Society  
Ayrshire Cattle Society  
Belted Galloway Cattle Society  
Biodynamic Agricultural Association  
Blackface Sheep Breeders Association  
Bluefaced Leicester Sheep Breeders Association  
British Pig Executive  
British Romagnola Cattle Society  
Cheviot Breed Society  
Convention of Scottish Local Authorities  
Crofters Commission  
Department of Agriculture and Rural Development Northern Ireland  
Department for Environment, Food and Rural Affairs, England  
English Beef and Lamb Executive  
Faculty of Advocates  
Family Farmers' Association  
Food Standards Agency (Scotland)  
Galloway Society of Great Britain & Ireland  
Grampian Country Pork  
Grampian Pig Producers  
Highland Cattle Society  
Highlands & Islands Enterprise  
Highlands and Islands Livestock Ltd  
Hybu Cig Cymru, Wales  
Independent Farming Group  
Institute of Auctioneers & Appraisers Scotland  
Livestock Meat Commission, Northern Ireland  
Meat and Livestock Commission  
NFU England  
NFU Scotland  
NFU Wales  
National Assembly for Wales Agriculture Department  
National Beef Association (Scotland)  
National Pig Association (Scotland)  
National Sheep Association (Scotland)  
Quality Meat Scotland  
Royal Highland & Agricultural Society of Scotland  
Royal Environmental Health Institute of Scotland  
Rural Payments Agency, Newcastle  
Scottish Agricultural College  
Scottish Agricultural Organisation Society  
Scottish Association of Meat Wholesalers  
Scottish Association of Young Farmers Clubs  
Scottish Beef Cattle Association  
Scottish Beef Council  
Scottish Consumer Council  
Scottish Co-operative Food Trade Association

Scottish Council for Development & Industry  
Scottish Crofting Foundation  
Scottish Enterprise  
Scottish Federation of Meat Traders' Associations  
Scottish Food Quality Certification Ltd  
Scottish Grocers' Federation  
Scottish Natural Heritage  
Scottish Organic Producers Association  
Scottish Parliament Information Centre  
Scottish Retail Consortium  
Scottish Rural Property & Business Association  
Scottish Tenant Farmers' Association  
Scottish Wholesale Association  
Scottish Women's Rural Institute  
Shetland Cattle Herd Book Society  
Society of Border Leicester Sheep Breeders  
Soil Association Scotland  
Ulster Farmers' Union  
Women's Farming Union

Scottish Conservative & Unionist Party  
Scottish Green Party  
Scottish Labour Party  
Scottish Liberal Democrats  
Scottish National Party  
Scottish Socialist Party

Action of Churches Together in Scotland  
Catholic Parliamentary Office  
Church of Scotland  
Evangelical Alliance (Scotland)  
Scottish Inter Faith Council  
St Columba's Episcopal Church

## **REGULATORY IMPACT ASSESSMENT**

### **1. Title of proposal**

The proposal is the Quality Meat Scotland Order 2008. The relevant primary legislation is the Natural Environment and Rural Communities Act 2006.

### **2. Purpose and intended effect**

#### **(i) Objectives**

The order intends to establish Quality Meat Scotland as a public body on 1 April 2008 in order to ensure that the Scottish red meat sector continues to have a promotion and development body accountable to Scottish Ministers.

#### **(ii) Background**

Quality Meat Scotland (QMS) is currently a private company limited by guarantee and jointly owned by the Meat and Livestock Commission (a public body), NFU Scotland and the Scottish Association of Meat Wholesalers (organisations that represent farmers and meat processing companies in Scotland).

The Agriculture Act 1967 gives statutory responsibility to the Meat and Livestock Commission (MLC) for the promotion and development of the red meat (i.e. beef, lamb and pork) sector in GB. Funding comes from parafiscal levy collected from producers and processors at the time of slaughter or export of cattle, sheep and pigs under the terms of the Agriculture Act 1967. In Scotland, the levy amounts to around £4m annually. Since 2003, responsibility for MLC functions in Scotland has been delegated, through ministerial direction, to QMS. The Scottish levy is collected by the MLC and transferred to QMS. QMS is accountable to Scottish Ministers for use of the levy.

The MLC is one of five agricultural and horticultural levy bodies in the UK, the others being the Milk Development Council, British Potato Council, Horticultural Development Council and Home Grown Cereals Authority. All five levy bodies were subject to a review by Rosemary Radcliffe in 2005, at which time the structure of QMS was also examined. Ms Radcliffe concluded that a statutory levy should be maintained across the sectors in order to protect against market failure. She also proposed a new levy board model which involved the winding up of the existing bodies and their replacement with a new, overarching public body (Levy Board UK) for collection of the levy and oversight of corporate bodies (Sector Companies) representing the various industry sectors. The Sector Companies would be responsible for expenditure of the levy.

Ms Radcliffe recognised that her new model would not provide for similar accountability arrangements to those currently in place for QMS. In order to ensure accountability to Scottish Ministers, a separate public body would be required for the red meat sector in Scotland.

Ministers across the UK accepted the Radcliffe model. Given the distinctiveness of the red meat sector in Scotland, Scottish Ministers decided to retain a separate red meat promotion body accountable to them. The new structure is to be established on 1 April 2008.

### **(iii) Rationale for government intervention**

The existing structure for the agricultural and horticultural levy bodies will end on 1 April 2008, when the new Radcliffe model is put in place. At that time, the MLC will cease to exist and the delegation arrangements between the MLC and QMS will fall. Similar functions to those carried out by the MLC in England will become the responsibility of Sector Companies for beef and lamb and for pigs in England. If no action were taken to change the nature of QMS, there would be no provision for the collection of red meat levy in Scotland and no Scottish red meat sector promotion and development body.

## **3. Consultation**

### **(i) Within government**

Cabinet Ministers have been consulted on the proposal to establish QMS as a public body (Cabinet correspondence CC(06)22 refers.)

### **(ii) Public consultation**

The recommendations in the Radcliffe report on the review of the levy bodies were subject to wide consultation. An analysis of the consultation responses can be found on the Scottish Government website.

Respondents from the meat sector were wholly supportive of the idea of continued accountability of a Scottish red meat body to Scottish Ministers. The idea of the body as a public body outwith – but linked to – the new model proposed by Radcliffe – was accepted by all the main players including the NFU Scotland, QMS, the Scottish Association of Meat Wholesalers and the National Beef Association (Scotland).

Proposals for the Quality Meat Scotland Order 2008 were also subject to wide consultation. An analysis of the consultation responses can be found on the Scottish Government website.

## **4. Options**

### **(i) Option 1 - Do nothing**

QMS could continue as a private company but with the winding down of the MLC there would be no provision for the collection of a statutory levy in Scotland by QMS or any other private company. We would therefore have no central funding for a promotional and development body in Scotland from 1 April 2008. Such a body is essential for the Scottish red meat sector which accounts for over 40% of Scottish agricultural output.

### **(ii) Option 2 - Establish QMS as a Sector Company accountable to Levy Board UK**

This could be achieved through Part 8 of the Natural Environment and Rural Communities Act 2006 which is the mechanism for the establishment of the new levy board structure. The start date would be 1 April 2008. QMS would be one of seven Sector Companies (i.e. corporate bodies) established to represent various agricultural and horticultural sectors – the others would cover cereals, milk, horticulture, potatoes, English beef and lamb and English



pork. As a Sector Company, QMS would be responsible to Levy Board UK for use of the Scottish levy and would be accountable to all UK Ministers, acting jointly.

Work is already well underway to establish the new levy board structure including Levy Board UK and the Sector Companies. Any decision to include QMS in the new structure – through the establishment of QMS as a Sector Company – would have had to be made early in 2008 to avoid difficulties and potential delays in implementation by 1 April 2008.

Establishment of a body accountable to all UK Ministers would be a retrograde step for the Scottish red meat sector. This is a distinctive sector, of crucial importance to Scottish agriculture, and this is why arrangements were made for the delegation of MLC functions to QMS in 2003 and for the transfer of the levy and accountability to Scottish Ministers.

### **(iii) Option 3 - Establish QMS as a public body**

This would also be achieved through Part 8 of the Natural Environment and Rural Communities Act 2006. The legislation enables Scottish Ministers to establish bodies, accountable to them, with Scotland-only responsibilities. The start date would be 1 April 2008.

QMS would be a public body separate from the wider UK levy board structure. It would be answerable only to Scottish Ministers and tuned in to the needs of the Scottish red meat sector. There might be a risk of duplication or overlap of activities also carried out by the English Beef and Lamb Sector Company or the English Pig Sector Company, e.g. research and development or information gathering, but this would be avoided by ensuring strong links amongst the different organisations. This should be straightforward because well established and effective links already exist with the MLC and its subsidiary bodies, the English Beef and Lamb Executive and the British Pig Executive (which will become the Sector Companies). QMS would not have an automatic seat on the board of the overarching body, Levy Board UK, but a request would be made for observer status.

Establishment of QMS as a public body would ensure the continuation of a red meat sector promotion and development body in Scotland, accountable to Scottish Ministers, after the winding down of the current levy board structure from 1 April 2008.

## **5. Costs and benefits**

### **(i) Option 1 – Do nothing**

Sectors affected – this option would affect everyone involved in the red meat sector in Scotland. From 1 April 2008, no levy would be collected from those who present cattle, sheep or pigs for slaughter or export (i.e. those who currently pay levy). There is no register of levy payers but there are currently around 9,000 people involved in the cattle sector, 9,000 in sheep and 460 in pigs. Around £4m is currently collected per annum. This money would no longer be available for the promotion and development of the industry in Scotland. The effect on the industry is unquantifiable but the lack of industry development work, information gathering, research and development and product promotion and advertising would have a significant negative impact on producers and processors of red meat in Scotland and other related parts of the sector. Sales and exports would reduce, the Scotch brand would be damaged and the sector would be forced to decrease in size. The impact would be greater

because of competition from elsewhere in the UK, where the industry would continue to pay levy and to benefit from the promotion and development work of the Sector Companies.

QMS would not be able to continue in its current form and if it remained, would have to concentrate on its non levy funded quality assurance activities, with a much reduced workforce.

Consumers in Scotland would be affected by higher prices, less choice and a decreasing ability to purchase local products.

Benefits – levy payers would be saved payment of levies currently amounting to around £4m annually. (The benefits would be outweighed by the negative impact on the industry of the loss of QMS.)

Costs – there may be additional actual costs to business in seeking to fund industry development and promotion work through means other than the levy. The Executive would save around £4,800 per year on QMS sponsorship activities but it may be pressed strongly by the industry for central funds to support the red meat sector, in the absence of levy funding.

**(ii) Option 2 - Establish QMS as a Sector Company accountable to Levy Board UK**

Sectors affected – this option would affect the whole of the red meat sector in Scotland. As a part of the UK levy board structure, QMS would be accountable to Levy Board UK and all UK Ministers and would lose the separate identity and accountability to Scottish Ministers that currently exists. It would be more difficult to develop the Scottish industry appropriately and to promote the distinctiveness of the Scottish product within such a structure, with Levy Board UK responsible for the range of agriculture and horticulture sectors including the red meat sector in England.

Scottish Ministers would have no direct control of QMS and this would affect the close relationship they have with the industry and the scope they have for ensuring appropriate use of the levy in Scotland. Decisions would be shared with other UK Ministers.

Consumers may notice a diminution in the distinctiveness of the Scottish product (particularly the “Scotch” brand) and its profile in Scotland.

Benefits – levy collection would continue to be done centrally rather than by QMS. There would be no need for a contract between QMS and Levy Board UK for the collection of the levy.

Costs – those who present animals for slaughter or export would continue to pay levy. The amount paid is directly related to the number of animals slaughtered or exported. The current figure is around £4m annually.

### **(iii) Option 3 - Establish QMS as a public body**

Sectors affected – this option would affect all levy payers in the red meat sector in Scotland. They would be assured of the continuation of a body dedicated to the development and promotion of the sector in Scotland and accountable to Scottish Ministers. When consulted on proposals for the review of the levy boards, respondents from the red meat sector were wholly supportive of such an approach.

Consumers would continue to see a distinctive local product with strong Scottish branding.

Benefits – this option would provide continuity for the sector. Although currently a private body and not responsible for collection of the levy, QMS already receives the entire Scottish levy and is responsible for its use for the benefit of the Scottish industry. QMS is accountable to Scottish Ministers and is monitored by the Executive in a similar way to public bodies. Separation from the wider formal Levy Board UK structure would ensure that the distinctive needs of the Scottish industry were at the fore for QMS. Links between QMS and Levy Board UK would be established where appropriate, facilitating joint working and protecting against unnecessary duplication of activities

Costs - those who present animals for slaughter or export would continue to pay levy. The amount paid is directly related to the number of animals slaughtered or exported. The current figure is around £4m annually. There would be no additional administrative costs for the Executive since they already monitor QMS's use of the Scottish levy.

## **6. Small/Micro Firms Impact Test**

### **(i) Option 1 – Do nothing**

There are currently around 9,000 people involved in the cattle sector, 9,000 in sheep and 460 in pigs. These businesses (i.e. producers) would be saved payment of levies currently amounting to around £4m annually. However, they would lose the benefits of the work of QMS in promoting and developing the red meat sector in Scotland and this would have a detrimental effect on individual businesses. The livestock sector is currently worth about £695m annually to Scotland, or some 40% of total agricultural output.

The processing sector would also be affected by any negative impact on business caused by the loss of a promotion and development body. The extent of the impact is unknown. There are 39 abattoirs and 80 cutting plants in Scotland.

### **(ii) Option 2 - Establish QMS as a Sector Company accountable to Levy Board UK**

Producers would continue to pay levy for the promotion and development of the red meat sector in Scotland. There may be a loss of emphasis on differentiation of the product in Scotland because QMS would come under the responsibility of Levy Board UK whose interests may be more geared to the needs of the UK sector as a whole. This may have an effect on the profile and hence the price of the product in Scotland, impacting on both producers and processors. The cattle deadweight price in Scotland is currently around 223p per kilo, 15p above the UK average. Similarly, the retail price for beef produced in Scotland attracts a premium of 12% over and above the market price. We would not expect the effect to be significant.

**(iii) Option 3 - Establish QMS as a public body**

Producers would continue to pay levy for the promotion and development of the red meat sector in Scotland. There would be no significant change in the activities and monitoring of QMS and therefore the impact of public body status on producers – and processors – would be negligible.

**7. “Test run” of business forms**

No new forms are expected as a result of the legislation.

**8. Competition assessment**

Producers and processors are the two sectors directly affected by the proposals. There are approximately 18,500 producers affected by the Order, most of whom run small-scale business with a minimum of staff or no staff. Based on the June 2006 census, there are about 22,500 holdings with cattle, sheep or pigs with a workforce of 67,000 people in Scotland. There are 91 firms in the processing sector, employing over 3,000 people. Most of the smaller abattoirs employ, on average, around 10 people, with over 500 employed where further processing takes place. In Scotland, three companies account for around 36% of the beef kill and seven companies for around 68%. No company does more than 15% of the cattle kill. On the sheep side in 2005, two companies account for more than 20% of the lambs killed in Scotland. The pig side is dominated by one major player.

**(i) Option 1 – Do nothing**

With this option, there would be no central body responsible for the promotion and development of the red meat sector in Scotland. It is likely that any future promotion or development work would concentrate on specific issues and/or be directed at specific areas of the industry, using either public or private funding. Particularly with private funding, there would be potential for only some parts of the industry to benefit from such expenditure, perhaps at the expense of others.

**(ii) Option 2 - Establish QMS as a Sector Company accountable to Levy Board UK**

The effect on the relevant businesses would be minimal because establishment of QMS as a Sector Company would mean no significant change to QMS functions and therefore little or no impact on competition within Scotland.

**(iii) Option 3 - Establish QMS as a public body**

The effect on the relevant businesses would be minimal because establishment of QMS as an NDPB would mean no significant change to QMS’s existing functions and the way in which the organisation operates.

A competition filter has been completed and this confirms that the proposal (for an Order to establish QMS as an NDPB) is likely to have little or no effect on competition. Details are at Annex 1.

## **9. Enforcement and sanctions**

### **(i) Option 1 – Do nothing**

There would be no promotion and development body in Scotland and therefore no enforcement and sanctions.

### **(ii) Option 2 - Establish QMS as a Sector Company accountable to Levy Board UK**

The following offences would apply:

- provision of false or misleading information;
- failure to keep sufficient records to enable QMS to establish how much levy is due;
- failure to produce them to an officer of QMS on demand to enable them to establish how much levy is due;
- failure to provide a return by the specified date;
- obstruction of any authorised person entering a slaughterhouse;
- failure of a slaughterer or exporter to hold levies in trust.

### **(iii) Option 3 - Establish QMS as a public body**

The following offences would apply:

- provision of false or misleading information;
- failure to keep sufficient records to enable QMS to establish how much levy is due;
- failure to produce them to an officer of QMS on demand to enable them to establish how much levy is due;
- failure to provide a return by the specified date;
- obstruction of any authorised person entering a slaughterhouse;
- failure of a slaughterer or exporter to hold levies in trust

## **10. Implementation and delivery plan**

Attached at Annex 2 is an implementation and delivery plan.

## **11. Post-implementation review**

The policy proposal would be reviewed within 5 years of coming into force to establish whether or not the new body was operating effectively and in the best interests of the industry. This would be achieved through an assessment of the operation of QMS against its purpose and functions as set out in the Order, bearing in mind the Corporate Plans and Annual Reports presented to Ministers.

A Review RIA would not be required because the impact of the proposal on business is negligible.

## 12. Summary and recommendation

Option 3 – to establish QMS as a public body – is recommended. It is the only option that would ensure the continuation of a red meat sector promotion and development body in Scotland, accountable to Scottish Ministers, after the winding down of the current levy board structure from 1 April 2008. Industry bodies who have commented on this proposal have been wholly supportive. The effect on business and the costs involved for industry and Government would be minimal.

### Summary costs and benefits table

Option	Total benefit per annum: economic, environmental, social	Total cost per annum: - economic, environmental, social - policy and administrative
1	Levy payers would be saved payment of levies currently amounting to around £4m annually.	Around £4m annually in levies would not be available to the industry for promotion and development. The effect is unquantifiable but sales and exports would reduce and the sector would decrease in size. The negative economic, social and environmental effects would be greatest in more remote areas where returns from agriculture are already poorest. Consumers would be affected by higher prices and poorer choice.
2	Levy collection would continue to be done centrally. Administrative costs for the Scottish Government may fall as the sponsorship lead would rest with the Department for the Environment, Food and Rural Affairs.	Costs to the industry would remain as now, i.e. around £4m annually. The distinctiveness of the Scottish brand may be lost which may in time affect levels of production in Scotland and thereby impact on the economy, environment and society particularly in more remote areas.
3	No increased costs for industry or Government. Proposal would ensure continuity for the livestock sector and encourage stability, with both environmental and social benefits. Consumers would continue to see a distinctive local product with strong Scottish branding.	Costs to the industry would remain as now, i.e. around £4m annually. There would be no additional administrative costs.

**Declaration**

**I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs.**

*Signed*            **Richard Lochhead**

**Date**            **17 December 2007**

**RICHARD LOCHHEAD  
CABINET SECRETARY FOR THE ENVIRONMENT AND RURAL AFFAIRS**

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## COMPETITION FILTER TEST

QUESTION	ANSWER
1. In the market(s) affected by the new regulation, does any firm have more than 10% market share?	Producer - NO Processor - Yes
2. In the market(s) affected by the new regulation, does any firm have more than 20% market share?	Producer - NO Processor - No
3. In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	Producer - NO Processor - No
4. Would the costs of the regulations affect some firms substantially more than others?	Producer - NO Processor - No
5. Is the regulation likely to affect the market structure, changing the number or size of firms?	Producer - NO Processor - No
6. Would the regulation lead to higher set-up costs for new or potential firms that existing firms do not have to meet?	Producer - NO Processor - NO
7. Would the regulation lead to higher ongoing costs for new or potential firms that existing firms do not have to meet?	Producer - NO Processor - NO
8. Is the sector characterised by rapid technological change?	Producer - NO Processor - NO
9. Would the regulation restrict the ability of firms to choose the prices, quality, range or location of their products?	Producer - NO Processor - NO



## IMPLEMENTATION AND DELIVERY PLAN

Implementation of the legislation is already underway because there is a considerable lead-in time and the change in status must happen on 1 April 2008. The main areas of work include:

- Appointment of the Chair and Board of the new body (the Chair has been appointed and the interviews for the Board will be held in January)
- State aid approvals (draft notifications have been prepared and these will shortly be sent to the European Commission)
- Consideration of need for location review (Ministers have agreed that QMS can remain at their current location until at least 2013)
- Governance and accountability (a draft Framework Document has been prepared; annual reporting requirements are in the Order; a corporate plan will be prepared once the new Board is in place)
- Closing down of QMS as a private company (QMS are discussing the transfer of assets and liabilities with their solicitors)
- Human resource issues, including the introduction of a new pay policy, are being addressed by QMS with advice from the Scottish Government.

This work is led by Rural Directorate – Agriculture Division. The Division is working closely with the current Chairman and the Chief Executive of QMS and regular update meetings are held. The work is on target for completion by the end of March 2008.