



Aberdeen &
Grampian
Chamber of
Commerce



2021 Scottish Election

North-east business priorities

Rebuilding our region

Introduction

On May 6, Scotland goes to the polls in one of the most important elections of our lifetimes. As a result of CV19 and the responses to it, our nation's economy is at a crucial crossroads.

Despite the various financial support packages, we have already lost many businesses and livelihoods with many more still at risk. The number of people in Scotland claiming benefits linked to unemployment has risen 89% in the past year and estimates of the number of payrolled workers are down 65,000 since the start of last year.

Against this backdrop, decisions made in the coming months by our newly elected parliament will determine how we bounce back from this potentially crippling hit to our way of life and rebuild our economy, quickly and sustainably.

Of course, amid the bad news there are green shoots with some sectors performing well and companies innovating to take advantage of the new opportunities that are presenting.

Policies put in place and pursued by our new government will determine the pace and scale of the recovery.

The Chamber of Commerce has engaged with and supported thousands of businesses in the North-east during the pandemic. We were the first region in Scotland to head into a 'local lockdown' at scale and the Chamber successfully argued for targeted funding for affected businesses. We've worked with our colleagues in our national bodies at the Scottish and British Chambers of Commerce to press for further government support, and we were

able to see tangible victories that made a real difference, such as the creation of the Bounceback and CLBILS loan schemes, a targeted VAT cut for the hospitality sector and the early introduction of flexible furlough.

We are the voice of our business community and ensure that this is heard and acted on in the corridors of power.

This manifesto summarises what our members and stakeholders have been telling us and those things we need to see from our Holyrood politicians to give the North-east the best chance of playing a key role in our national recovery.

Thank you for your support of the Chamber. Without it, we could not do the good work that we do.



Russell Borthwick

chief executive, Aberdeen & Grampian Chamber of Commerce

The next Scottish Government should...



Make a strong commitment to work in **partnership** with the private and third sectors to rebuild our economy post-CV19



Ensure that devolved tax policy encourages investment and entrepreneurship through the reduction of upfront business costs and enhances our ability to **attract and retain skilled people**



Invest in the North-east to deliver a 'just transition', recognising the leading role that our region has to play in delivering our **national net-zero ambitions**



Renew and strengthen our physical and digital connectivity, safeguarding our economic resilience and re-establishing **vital links** to the rest of the UK and the wider world



Have a clear focus on providing **upskilling and reskilling** opportunities for the green jobs that will form the foundation of our future regional economy



Develop and execute focused action plans to secure the **revival of our town and city centres** as we rebuild post-pandemic

Our members want the next Scottish Government to...

... have a clear focus on enabling business to take the lead in rebuilding our economy post-CV19

The impact of the pandemic has been felt throughout the country, but the North-east of Scotland is well recognised as being particularly hard hit. The sharp decline in oil and gas prices rocked one of the region's key sectors, while the August local lockdown put this area on the back foot as other places experienced some initial signs of recovery.

Unemployment in the area more than doubled during the pandemic, with the North-east accounting for 10,000 of the 30,000 redundancies notified across Scotland. It's estimated that we've lost around 1,000 hotel bedrooms to closure due to our dependence on business tourism and corporate travel.

The next Scottish Government must place the daunting task of rebuilding our economy in partnership with business as its central priority in the next parliamentary term.

Our business community needs:

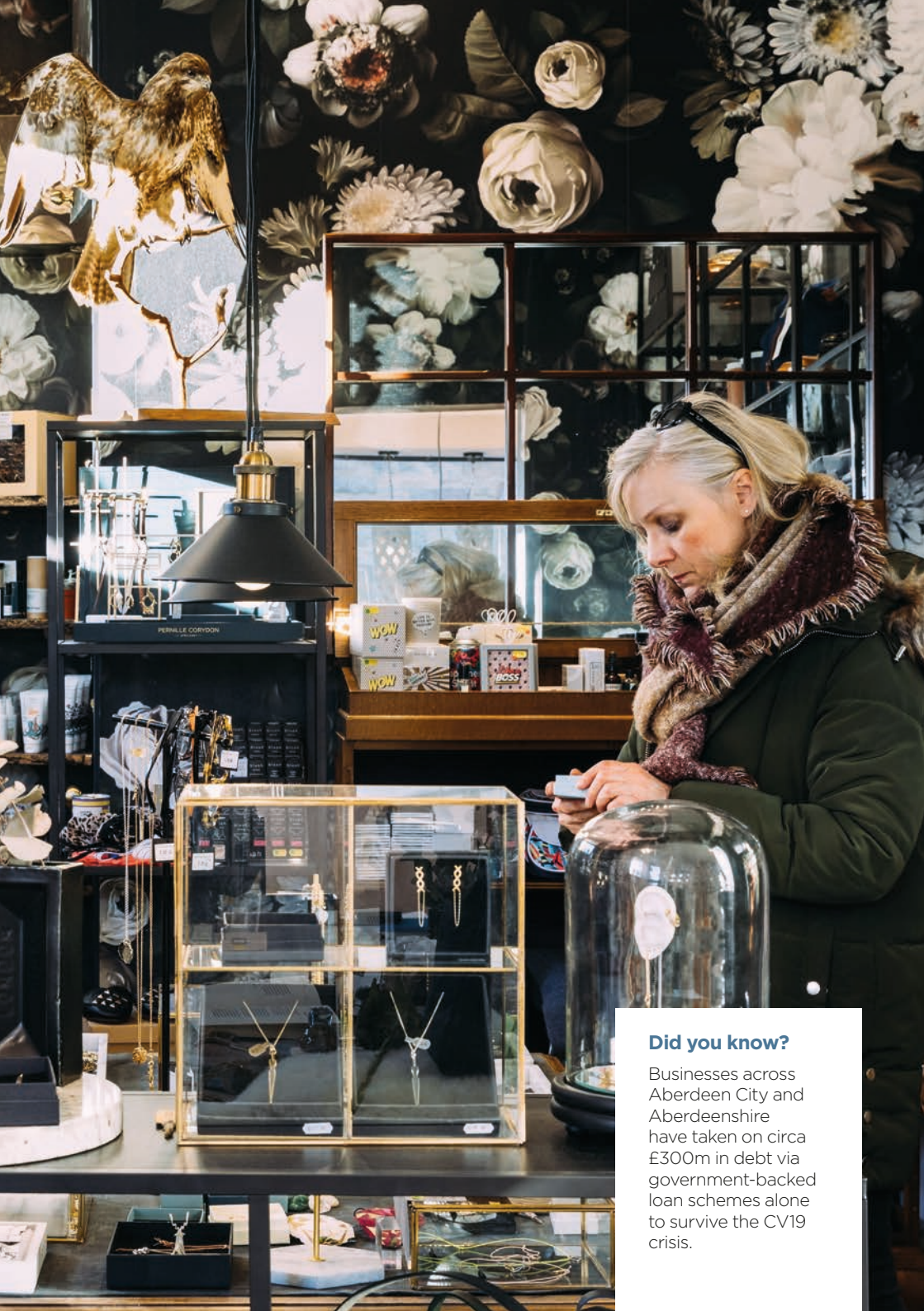
- Clarity on business support throughout the entirety of 2021. Sustained support schemes must be outlined early in the course of the next parliament, particularly for the worst impacted sectors like hospitality and travel where persistent restrictions remain possible. In addition, there must be support for hard-hit parts of our economy, including the third-sector, backing these organisations to rebuild revenues and return to sustainability
- The next Scottish Government to work alongside organisations like Scottish Financial Enterprise and UK Finance to ensure that financial institutions work alongside businesses to support our recovery and take a long-term view on the repayment of debt built up during the CV19 crisis

- A renewed focus on local procurement and engaging with regional supply chains to fulfil public sector contracts and deliver major infrastructure projects

Scottish Chambers network 'ask':

A relationship reset between the Scottish Government and the private sector, anchored by a new Joint Economic Partnership group, bringing together influential advisors and experts from the public, private and third sector. We concur with the Advisory Group on Economic Recovery which stated that:

"The Scottish Government and the business community should take urgent action to develop a new collaborative partnership on the strategy for Scotland's economic recovery."



Did you know?

Businesses across Aberdeen City and Aberdeenshire have taken on circa £300m in debt via government-backed loan schemes alone to survive the CV19 crisis.

Our members want the next Scottish Government to...

... ensure that devolved tax policy reduces upfront business costs, encourages investment and enhances our ability to attract and retain skilled people.

The Scottish Government has an array of devolved tax powers at its disposal. In the North-east of Scotland, business rates is by far the most controversial, with the region accounting for £157m out of the £346m uplift in rateable values at the last revaluation in 2017. That's an incredible 45% from an area accounting for less than 10% of Scotland's population.

The Scottish Government's decision to delay the 2022 rates revaluation until 2023 will have serious and disproportionate implications for many businesses in this region who will still be paying rates based on outdated 2015 values, with the likelihood this will act as a real drag on investment and economic recovery.

Post-election, the incoming Scottish Government must take decisive action to bolster regional rates relief for the North-east across a range of sectors, while embarking on a meaningful and

ambitious review to make this outdated system fit for purpose in our post-pandemic economy.

AGCC members expect government to:

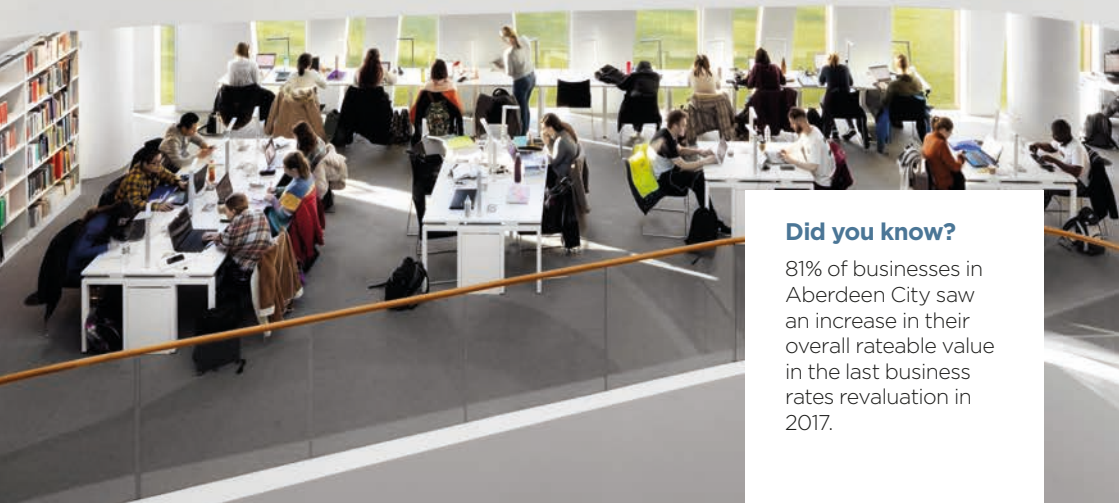
- Set out plans for an ambitious, in-depth independent review of the non-domestic rates system to succeed the Barclay Review. Unconstrained this time by the principles of revenue neutrality it should seek to define how the system should adapt to reflect changing property needs and usage and consider incentives for new businesses to set up and grow in the heart of our towns and cities
- Ensure a phased and proportionate reintroduction of business rates for the hardest hit sectors which are currently exempt, such as retail, hospitality and aviation
- Seek to develop a refreshed rates relief

scheme for North-east Scotland up to 2023, reflecting that rateable values were already out of step with economic conditions before the CV19 crisis. This should use the previous Transitional Relief schemes developed for the Aberdeen City region as a template and be extended beyond just office premises

- Extend CV19 changes to the zero-rated LBTT bands and consider equalising thresholds across the UK to ensure this tax doesn't act as a barrier to attracting new talent into Scotland

Scottish Chambers network 'ask':

No new upfront business taxes or levies should be imposed on firms for the lifetime of the next Parliament, including the scrapping or deferring of additional business taxes such as workplace parking levy, transient visitor levy.



Did you know?

81% of businesses in Aberdeen City saw an increase in their overall rateable value in the last business rates revaluation in 2017.

Our members told us they expect...

... investment in the North-east to deliver a 'just transition'

For some time, the Aberdeen City region has been focused on taking our world-renowned expertise in oil and gas production and subsea engineering and applying these skills to developing low-carbon energy solutions, such as hydrogen, offshore wind and carbon capture and storage.

The North-east has the potential to pioneer much of the activity which will shape not just Scotland's, but the global journey to net-zero. However, our success will be underpinned by the approach both the Scottish and UK Governments take to future policy. Oil and gas is still crucial to our national energy security and requirements as well as to our regional economy, making it essential that decisions taken now have the concept of a 'just transition' at their core.

North-east companies want:

- Government to embed the principles of a just transition into policy-making to ensure that communities such as ours are afforded the opportunity to engage in an 'orderly, managed transition to net-zero', as recommended by the Just Transition Commission
- To see Aberdeen's role at the heart of the energy transition agenda championed and invested in. This region has the talent and the supply chain to act as a technological centre of excellence, driving the UK's clean growth ambitions
- A clearly defined role for the North-east of Scotland within the COP26 conference, showcasing our growing expertise in low-carbon technologies

- A laser-focus on new 'green jobs', supporting the creation of an 'energy skills academy' in the region and ensuring the delivery of the additional recommendations set out in the talent section later in this document
- Funding and expansion of circular economy projects across Scotland which help SMEs re-model through innovation, design thinking and new circular business models

Scottish Chambers network 'ask':

Company boards are focused on the immediate crisis and in survival mode, but directors have a critical role to play to prioritise the climate opportunity across company strategies and helping to achieve ambitious net-zero targets. A 'green boards' strategy should be rolled-out for SMEs to support directors to adopt a 'green lens' on recovery and growth.



Did you know?

Our latest Oil and Gas Survey highlighted that 57% of firms in the sector are seeking to accelerate their diversification plans, moving into areas like renewable energy technologies and related manufacturing.

Our members want the next Scottish Government to...

... renew and strengthen our physical and digital connectivity

CV19 has put many of the elements of connectivity we used to take for granted under real threat and highlighted other challenges. This creates real barriers to the recovery and economic growth of the North-east.

Aberdeen is dependent on air connectivity to enable our internationally focused economy. Securing the future of our airport, protecting and strengthening connections to key hubs and cities is vital to ensuring we do not become just a distant Northern outpost. We must also move imminently towards the delivery of long-promised significant journey time reductions between Aberdeen and the Central Belt. This is taking too long, in every sense!

On digital connectivity, despite pockets of positive progress, for large swathes of our regional population and business community access to ultrafast broadband remains a pipe dream, not helped by the legal wrangling over the

R100 rural broadband programme. We need to see a clear, urgent and meaningful timeline for delivering on this and 5G roll-out to support our economic ambitions and opportunities. Not just soundbites and statistics.

Businesses across the North-east need:

- Imminent progress on the infrastructure upgrades necessary to radically reduce rail journey times between Aberdeen, Glasgow and Edinburgh, ensuring Scotland's three largest city regions are able to drive our recovery
- A resolution to long-running challenges around Air Passenger Duty / Air Departure Tax. The tax should be reduced or temporarily suspended to support the sector's efforts to restore vital air links, passenger confidence and demand
- Progress on plans to determine Scotland's first 'Greenport'. The North-east of Scotland's

well-developed port infrastructure is ideally placed to capitalise on this opportunity to achieve our growth ambitions in areas like energy and food and drink

- An accelerated timetable for the rollout of the R100 Superfast broadband scheme, and a commitment that any interim voucher schemes are fit for purpose, easy to access and guarantee installation of a temporary superfast connection in 2021

Scottish Chambers network 'ask':

Create and implement an urgently-needed Scottish Aviation Strategy to kick-start the industry's growth and restore Scotland's airports critical to attracting international investors and tourists. This should include an aviation restart fund, route development and support for regional airports across Scotland.



Did you know?

Ofcom's 'Connected Nations' report shows that only 83% of premises in Aberdeenshire have access to a superfast (30 Megabit per second+) connection, compared to a Scotland-wide average of 94%.

Our members told us they expect the next Scottish Government to...

... introduce a refreshed focus on providing meaningful opportunities for upskilling and reskilling

The pandemic has shifted the conversation on workforce skills considerably. With accelerated changes to working patterns, and whole industries undergoing rapid transformations, true partnership between government, business and education providers has never been more important.

With a disproportionately high number of CV19 related redundancies in the North-east of Scotland and businesses and existing employees focused on retraining to reflect new priorities and ways of working, it's vitally important that the next government puts in place a responsive skills system which prioritises getting people back into work and ensuring those in work have the skills demanded by our future economy.

AGCC members want:

- Fast-track implementation of the actions outlined in the 'Climate Emergency Skills Action Plan' to support firms and

workers in the region seeking to transition from oil and gas into new industries

- An ongoing package of 'recruitment incentives' such as those currently provided for hiring apprenticeships, to support firms to continue to recruit and provide job opportunities across 2021 and beyond
- The Flexible Workforce Development Fund concept to be further developed, bolstering the funding element for independent providers to support firms whose people need specialist training
- A long-term 10 year commitment to the Developing the Young Workforce initiative, which will allow the visibility for the enhanced links fostered between employers, schools and young people through this programme to be further strengthened
- Confirmation that innovative pathways

like the Graduate Apprenticeship scheme have clear funding commitments to build on early successes

- Support to be made available to colleges and universities to define a sustainable funding model while they recover from the immediate impacts of the pandemic and measures like travel restrictions and remote studying
- Consider whether there is scope to transfer elements of the Scottish Government's operations and key agencies to regions such as the North-east, to act as an additional 'anchor employer' to support recovery

Scottish Chambers network 'ask':

A 'Workplace Transition Fund' should be made available to support businesses to adapt to changing working models, providing training packages and wellbeing support for employees, and financial support for transition costs for employers.



Did you know?

AGCC's latest Oil and Gas Survey highlighted skills gaps were becoming a growing concern, with 49% of firms citing this as a barrier to further diversification of their businesses.

Members want the next Scottish Government to...

...develop and execute a focused action plan to secure the revival of our town and city centres as we rebuild post-pandemic

Town and city centres continue to face major challenges due to the impact of CV19. At times, footfall in Aberdeen City has been down 80% on the previous year. The lifeblood of these places: retail, leisure and hospitality businesses face an uphill battle to survive.

UK high streets were already being hit hard by the perfect storm of out-of-town retailing, the rise in online shopping and changes in consumer behaviour. Forecasts in 2018 warned that we would lose a further 30% of bricks and mortar retail in the next 10 years. Firms in the North-east have real concerns that this timeline could be accelerated fivefold. And we recently received the devastating news of a consultation on the closure of Aberdeen's John Lewis store, with the potential loss of 265 jobs.

Cities are a finely balanced eco-system of retail, culture, hospitality, residential and offices with people at their heart. If any of them are out of

kilter then the others are likely to fail. Strategies to reinvent our cities were based on creating exciting, attractive multifunctional places that people choose to live, spend leisure time and work. Yet decisions being taken now could see our town and city centres, places that should be the beating heart of our communities, become urban deserts of the future. We must not allow this to happen.

The recommendations in this section must be delivered in concert with those presented in the 'business costs' section earlier in this document. A meaningful regeneration of our town and city centres will only come if we create a genuine level playing field for sectors like retail by reforming outdated systems like business rates.

AGCC members want:

- The appointment of a high-profile Cities Minister or tzar charged with the urgent delivery of a city centre recovery plan

- Businesses and their customers to be trusted to fully re-open all elements of the economy including offices, shops, hospitality venues and live events before it's too late for many
- Government policy to ensure the growing focus on '20-minute neighbourhoods' is not at the expense of our cities and towns
- Ministers to engage with the outputs of the AGEII study being undertaken by Glasgow Urban Lab for Aberdeen, Glasgow and Edinburgh Chambers
- Scottish Government to support the bold and ambitious Aberdeen City Centre Masterplan

Scottish Chambers network 'ask':

Roll-out of a long-term recovery programme for Scotland's High Streets by providing financial incentives and grants to micro and small businesses to support recovery and local communities.



Did you know?

Google Mobility Data highlights that retail and recreational travel is down by 64% on its pre-lockdown baseline in Aberdeen city.



**Aberdeen &
Grampian
Chamber of
Commerce**

We're one of the UK's largest and most influential Chambers of Commerce and part of a global network of 80,000 member businesses collectively employing six million people.

Our aim is to provide a range of practical support to help businesses succeed, while working to create the conditions to ensure the future economic success of the North-east.



To engage with us
contact policy@agcc.co.uk
or visit agcc.co.uk