



**Aberdeen &
Grampian
Chamber of
Commerce**

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An open letter to elected representatives on COVID-19 response and recovery support from the North-east of Scotland business community

Dear MP / MSP,

We write to you as the impact of COVID-19 continues to be felt throughout the UK, with established lockdown measures now in place until at least May 7. Alongside the continuing public health crisis, the economic impact has been severe. In the North-east, ongoing discussions with our 1,150 members illustrate the herculean efforts being taken by organisations across the region to safeguard jobs and livelihoods, and to adapt to a trading environment which is truly without parallel. However business failures and job losses are happening every day.

We appreciate the fact that both the Scottish and UK governments have listened and responded to the concerns of business as the response to the crisis has unfolded. Many of the policies and revisions have resulted from feedback of the Chamber network on behalf of its members. Thank you for this.

This week has been one of the most critical for businesses since the situation began, with the coronavirus jobs retention scheme opening for formal applications and the crucial decision to extend this until the end of June. The coronavirus large business interruption loan scheme also opened on Monday, plugging a crucial gap and providing a route to finance for firms with a turnover above £45M. And the Scottish Government's £100M fund for the newly self-employed and micro businesses provides for this previously vulnerable group. But our discussions with members and the data we have collated across the UK Chamber network continue to illustrate a range of outstanding urgent concerns.

The statistics don't make for good reading. Circulated with this letter is the latest copy of the British Chambers of Commerce Coronavirus Impact Tracker, with the latest survey showing that around 60% of firms have three months cash in reserve or less. This paints a bleak picture amplified by national forecasts from the OBR, the newly-published State of the Economy report and a [recent report from the Centre for Cities](#) illustrating that Aberdeen is the fourth most vulnerable city to the economic impact of COVID-19 in the UK.

The role of Chambers and demand for our support has never been greater and we continue to engage with hundreds of our members in this region around their concerns, linked to gaps in support or improvements to existing schemes. It won't be a surprise when we say a recurring theme from all of our engagement with business is the need to ensure that sources of funding clear bank accounts as soon as practically possible. This is the single best way to protect jobs and ensure our regional economy is supported to weather and emerge strongly from this economic storm. On the following pages, we outline some of the other outstanding issues which members continue to report to us as they look to the response and recovery phases of the COVID-19 crisis.



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Views on existing government support schemes

We welcome the ambition of the economic support packages put in place by the UK and Scottish governments. We know from discussions with members that these measures are saving jobs and giving companies much needed support. Conversations with businesses across the North-east have highlighted some common themes around potential improvements to the schemes however, which we outline below:

- I. **Pace and continued flexibility around the Coronavirus Jobs Retention Scheme:** Our Coronavirus Impact Tracker shows 71% of firms have furloughed staff. It has been an incredible and praiseworthy effort by HMRC and UK Government to set up the scheme and build the system in such short order and early user experience feedback has been good. However, it is now vital that the scheme delivers on the important part and that businesses receive the funds within the six day window outlined. Government also must be open to the need for continued extension and flexibility around the scheme.

The emergence from this is likely to be patchy so consideration needs to be given to sectors such as hospitality which are likely to feel the effects of lockdown measures for a more sustained period than the wider economy.

Our discussions support the calls of the CIPD, in arguing that the scheme should be adjusted to allow employees to be part-furloughed on reduced hours. Altering the scheme to allow for this would ultimately reduce the cost of the scheme for the taxpayer, while continuing to support a phased economic recovery.

Finally, extending the eligibility of the scheme to encompass all those employed during the month of March, and considering alternative evidence of employment (such as a formal employment offer) have been consistent asks of our membership. We understand the need to protect the taxpayer, but widening the scheme eligibility, with the appropriate checks for fraud, would provide reassurance for many employers in the region and employees caught in limbo through no fault of their own.

- II. **Improving effectiveness of Government loan schemes:** Although the principles of the CBILS scheme are welcome, it is failing to deliver in practice. At the time of writing, following over 300,000 enquiries, the [latest data](#) shows 6,016 approved loans from 28,461 applications. We expect these numbers to improve, but nevertheless, the scheme is currently not acting to provide the cashflow support at scale or pace that it was designed to deliver. The Chamber continues to engage with lenders in the region who are taking steps in good faith to support their customers, but we believe that structural changes to the scheme could support greater take-up from businesses and support improved delivery from lenders.

In the absence of significant take up, further reform to the scheme is critical. Government must look carefully at how peer nations including Germany and Switzerland are achieving greater progress, with 100% government backing for smaller loans, subject to appropriate checks, ensuring that funding has reached businesses on the ground at pace.

Any lessons learned from the CBILS also need to be translated into the large business scheme, to ensure that this category of firm, which many supply chain companies rely on, do not face liquidity issues in the months ahead.

- III. Further support for limited company directors:** Limited company directors who receive the majority of their income through dividends still do not currently have a clear route for support. This stands out as one of the major gaps in government schemes to date and must be addressed to ensure that entrepreneurs across the UK are not unfairly penalised. As you know, the North-east of Scotland has among the best business start-up and survival statistics in the country. We would urge government to consider either broadening the existing SEISS scheme or consider the development of a bespoke scheme to ensure that all of those self-employed, regardless of how they draw down their incomes, are supported. We would also encourage government to explore further measures to ensure equity between the CJRS and SEISS schemes, including the removal or tapering of the £50,000 profit ceiling to ensure that those attempting to access the SEISS scheme through genuine need are not unfairly disadvantaged.

Business Rates & Grants

Business Rates is major upfront cost to firms at a time when many have no or hugely reduced income streams. The much higher than national average rates in place in this region represent a significant source of cash flow pressure. Our discussions with members suggest that the reforms outlined below could act to provide some much-needed breathing space:

- I. Allow those businesses doing the right thing to claim empty property relief:** Businesses across all sectors have been significantly affected by the COVID-19 crisis, but the package of rates relief does not currently reflect this. Many firms are following the guidance and have transitioned to remote working but continue to be liable for their full rates bill.

To claim empty property relief right now, ratepayers must indicate that their property is “unoccupied” and also removed of “moveable items”. Although many premises are unoccupied in the current crisis, it isn’t possible or appropriate under social distancing guidelines for firms to remove these moveable items in the current environment.

The Scottish Government should immediately issue guidance allowing local authorities to waive the “moveable items” condition linked to empty property relief and grant this for firms who have vacated their premises during the outbreak. Doing so would allow firms to claim 50% rates relief for three months, reflecting current lockdown measures and helping to support the cash position of those companies following government advice.

- II. Material Change of Circumstances:** The Non-Domestic Rates Act has removed the right of appeal based on an “economic change of circumstances”, something which COVID-19 undoubtedly represents. The Scottish Parliament should move to repeal Section 13 of the Act, restoring this vital route to enable rateable values to be corrected. Such a move would not only assist firms impacted by the crisis, but by bringing values to levels more reflective of economic conditions, would support the economic recovery.
- III. Grants expansion:** Currently, COVID-19 grants for retail, hospitality and leisure are only available to businesses with a rateable value of up to £51,000. In practice, and especially given the higher rateable values in the North-east, this removes an entire tranche of our small independent businesses from receiving support. This sector is vital to our regional economic strategy and our national tourism ambitions. We would therefore urge government to explore the lifting of this cap to ensure they are not disadvantaged. Given differential rateable values across Scotland, the final threshold for expansion would require review, but from our discussions with members, this would need to be significantly beyond the £95,000 threshold at which the Higher Property Rate is applied in

Scotland, as many small businesses here in these sectors have rateable values above this. With expectations that the impact on many of these businesses could be more sustained than in other parts of the economy, we would encourage the exploration of an expanded grant scheme offering support proportionate to rateable values.

Sector Support

Alongside the cross-economy interventions progressed by government, we welcome the addition of sectoral packages, such as the Scottish Government's support for seafood processing and the catching sector, which will act as a lifeline for these vital but vulnerable parts of our economy. Our conversations with members suggest that further targeted sectoral support may be necessary, as certain industries continue to be disproportionately affected by the crisis:

- I. **Oil & Gas:** The impact of COVID-19 on the Oil and Gas market globally has been stark. This week, we've seen the prices in the US pushed to negative levels, a truly unprecedented event. As we write Brent crude is now trading below \$20 a barrel, compared to over \$70 this time last year. Our domestic oil and gas sector and the supply chain at the North-east were only beginning to glimpse a period of normality following the damaging downturn experienced just a few years ago.

People within this supply chain are working night and day to keep the lights on across the UK, and the sector and the talent within it will be absolutely vital to the success of our country's net-zero ambitions. A strong domestic energy sector is not only good for exchequer but provides the impetus for investing in achieving a net-zero oil and gas basin, at the same time putting us in a position of strength to lead the world in the long-term energy transition challenge facing our generation.

In the coming days, the sector will be putting forth a COVID-19 resilience package, coordinated by OGUK, and we would urge you as our regional representatives to argue the case for a defined package of support for this regionally and nationally critical industry alongside ensuring the early implementation of the promised sector deal.

- II. **Regional connectivity:** We welcome the Scottish Government's decision to broaden rates relief to airports and certain businesses which support them, but the impact of this crisis on the aviation sector cannot be overstated. Chambers of Commerce across the UK recently wrote to government expressing the need for further intervention to support our regional air connectivity. Aberdeen more than any other region of the UK is dependent on air connectivity to enable our internationally-focused economy and ensure we do not become a distant Northern outpost. Securing the future of our airport and connections to key hubs and cities will be central to our recovery and so we ask you to continue to make the case for a defined package of aviation support to ensure this.

Recovery & Consistency of guidance

- I. **Social distancing and consistency of policy:** On social distancing and workplaces, The Scottish Government and associated bodies have published some sectoral guidance (e.g. [construction](#), [food & drink](#)) in addition to updated [general guidance for businesses as a whole](#). This contrasts with the position taken by the UK Government (e.g. [letter on manufacturing](#)) which is causing significant confusion and anxiety for businesses across the region. From discussions with members, this differential guidance is leading to competitive concerns where firms in the North-east have followed the guidance and ceased operations, as their competitors south of the border continue to operate.

The UK government and devolved administrations have taken a broadly consistent approach to the crisis across a range of issues, but this stands out as a key area of divergence. We welcome confirmation from the Cabinet Secretary for the Economy's recent update in Parliament, where it was outlined that work continues on the development of specific sectoral guidance, including for construction, to provide the confidence for firms and employees to return to work.

As much as possible, we would urge the UK and Scottish Governments to work together constructively to develop aligned guidance across sectors as lockdown measures continue, creating clarity for firms and workers now, and supporting the safe restart of activity in key sectors as soon as the public health data suggests that it's appropriate to do so.

- II. **Pathway to recovery:** Government needs to set out its plan for how it will fire up our country's economy post-lockdown so business can prepare for a return to work and deliver the bounce back we all desperately need. To enable this, businesses need to understand in as much detail as possible how long current lockdown measures will be maintained, and if continued restrictions are deemed necessary, how long they will be in force for.

It's absolute right that governments have been prioritising public health, but we need to start giving much greater emphasis to the resuscitation of our economy. A growing number of countries across the globe are beginning to loosen lockdown exit strategies, and Scotland and the wider UK needs to be mindful of us being at a competitive disadvantage in a global economy. Understanding the pathway to recovery, and whether this will include 'test and isolate' strategies and be differentiated across sectors, regions, age-group or other factors, is vitally important to allow businesses to plan.

Visibility of not just the lockdown exit strategy, but the wider economic recovery plan, will be crucial to restoring business confidence, and the convening of an advisory group on economic recovery by the Scottish Government is an important step to illustrate that this planning is underway. Despite the very real challenges we too are facing as an SME, Aberdeen and Grampian Chamber of Commerce stands ready to do all we can to support this, convening our members and the wider business community to accelerate growth in the North-east of Scotland.

As always, the Chamber team is at your disposal to discuss these proposals and the broader business impact of COVID-19. To arrange a discussion with the team, please email our Research & Policy Manager shane.taylor@agcc.co.uk.

With very best wishes,



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Aberdeen & Grampian Chamber of Commerce