



Scottish Affairs Committee

Oral evidence: [Hospitality and Scotland, HC 1356](#)

Thursday 15 April 2021

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Members present: Pete Wishart (Chair); Mhairi Black; Andrew Bowie; Deidre Brock; Wendy Chamberlain; Alberto Costa; Sally-Ann Hart; John Lamont; Douglas Ross.

Questions 1 - 45

Witnesses

I: Willie Macleod, Executive Director for Scotland, UKHospitality; Stephen Montgomery, Spokesperson, Scottish Hospitality Group; Frank Whitaker, Chair, Aberdeen City and Shire Hotels Association; and Paul Togneri, Senior Policy Manager, Scottish Beer and Pub Association.

Written evidence from witnesses:

– [Stephen Montgomery](#)



Examination of Witnesses

Witnesses: Willie Macleod, Stephen Montgomery, Frank Whitaker and Paul Togneri.

Q1 **Chair:** Welcome to the Scottish Affairs Committee for a one-off session looking at some of the issues around the Scottish hospitality sector. We received a very helpful letter from Stephen Montgomery of the Scottish Hospitality Association, which has been the incentive behind this whole session, and we are keen to hear from all of you about some of the particular issues. First of all, can I ask you to say for the record who you are and who you represent? We will start with you, therefore, Mr Montgomery.

Stephen Montgomery: My name is Stephen Montgomery, and I would just like to correct the record that it is the Scottish Hospitality Group, not the Scottish Hospitality Association.

We are a hospitality group that was formed in July last year. We have 200 sites all across Scotland, from Inverness to here in Lockerbie, from Ayrshire across to Dundas, 6,000 staff, and between 1,300 and 1,400 of those staff are aged between 16 and 24. We are concerned about where we are as far as debt, job security and the outlook is concerned for the Scottish hospitality sector and where we encompass that into the tourism sector as well.

There is an issue where tourism is seen to be in line with and joined with the hospitality sector but, in fact, as my colleagues will probably allude to later, we are separate and should be looked on as being separate because our needs are a lot different. The needs of a small bed and breakfast in rural parts of the highlands are a lot different to those of a hotel or a public bar elsewhere.

There are ongoing issues around the restrictions that we have seen come in from Government, particularly some of the things around the music ban, the curfews, the need for meals inside, and now, after the day before yesterday's announcements, we are facing another conflict where for the next three weeks from 26 April we will see weddings being allowed in Scotland with alcohol inside, whereas those people who live in Scotland will not be able to go to their pub and have something to eat with even a half pint. That is another concern we have. I will leave it there now for any questions.

Chair: Thank you for that. We are going to come to all these issues, and you will get plenty of opportunity to tell us exactly what you think should be happening. Can we go to Mr Whitaker?

Frank Whitaker: My name is Frank Whitaker. I am the chair of the Aberdeen City and Shire Hotels Association, so I am predominantly going to be talking today from a north-east perspective.



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Paul Togneri: Thanks to the members of the Committee for the opportunity today. I am Paul Togneri. I am the senior policy manager for the Scottish Beer and Pub Association. The SBPA is part of the UK-wide British Beer and Pub Association, representing over 20,000 pubs across the UK and over 90% of the beer produced in Britain today.

Chair: Thank you. Lastly, and audio only, Mr Willie Macleod.

Willie Macleod: Good morning, everyone. I am Willie Macleod. I am the director in Scotland for UKHospitality. We are a UK-wide organisation, representing the interests of the wider hospitality and licensed trade throughout the UK and, of course, Scotland.

Q2 **Chair:** Thank you, Willie. It is good to see you back in the Committee once again.

As I said at the outset of these proceedings, this session has been built around a letter that we received from Mr Montgomery. I will start by asking all of you to tell us, not in huge volumes, the condition the hospitality sector in Scotland is in just now after the lockdown and how badly you have all been impacted by the pandemic.

Stephen Montgomery: I think we would all agree that the hospitality sector is probably the biggest sector that has been hit through the pandemic. That does not take away from any other sector within Scottish business. Per site an average of £80,000 to £85,000-worth of debt was incurred per business over the last year, and that was last done in November so it will have crept up by now.

Our staff are starting to creep in with mental health issues, which are a big issue. We are now starting to see that staff are not wanting to come back. Some want to come back but, because they have been at home so long, they also have an issue there. There is a lack of clarity on any issues around mental health coming from the Scottish Government as well, and that is something that really needs to be looked into.

Nobody knows where we will be in the future, because we do not know where the virus is going. We need protection and support around that as well. Our support finishes on 19 April, albeit I would probably call it a payday loan because all it is is a small grant, a couple of months up front, where support would have been. Pulling that support is absolutely a no-go and it needs to be looked at, as far as I am concerned.

Frank Whitaker: From a hotel perspective, we saw a decline in occupancy in Aberdeen and Aberdeenshire of 43% in 2020 compared to 2019 and a RevPAR decline of almost £50. That goes straight to the heart of our profitability and financial stability.

While the restrictions that we are talking about and my colleagues will talk about are important, we are probably more affected by the wider impact of lack of corporate travel, lack of international travel and lack of major business events. These remain concerns, along with what is



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happening in city centres at the moment. Aberdeen airport has had a passenger decline of 69%, and it has also had significant reduction in frequencies from the UK and European hubs. That is of significant concern.

There has been a 66% decline in footfall in Aberdeen city centre, and we have 41 empty retail units on Union Street, as well as the loss of some key flagship and anchor stores like John Lewis and Debenhams. In the last 12 months, 1,100 hotel bedrooms, which is 20% of our membership, have been lost completely, gone into administration, and PACE data shows that there have been 870 redundancies in the hospitality sector in Aberdeen.

Overall, our big-picture concern is that our economic recovery is very much dependent on what is happening with the city centre, what is happening with corporate travel and what is happening with international travel. Until these things are addressed, our revenue is not going to be significantly improved by the ability to open an outdoor area on 26 April.

Q3 Chair: We want to explore some of these issues, particularly around travel, and we will come back to ask for your views on some more of that. Mr Togneri, what is the situation like just now for the licensed trade. How badly impacted has it been in the course of the past year?

Paul Togneri: The pandemic has been the biggest crisis ever to hit the beer and pub industry, and the impacts are going to be long-lasting. The prolonged closure of the pub sector across the UK for the majority of the last 13 months means that publicans, the pub businesses that support them and the brewers that are reliant on them are in a very precarious position.

Prior to the pandemic, there was roughly 4,500 pubs in Scotland and around 130 breweries, contributing around £1.66 billion to the economy every year and paying almost £800 million in wages. The impact that we have seen so far suggests that at least: 200 pubs have been lost forever; 210 million pints in beer sales have been lost due to either the forced closure over the last year or trading under severe restrictions; and £820 million-worth of trade value wiped from the sector in beer sales alone. The impact has been profound.

The recovery, when it does properly begin, will not start until all restrictions are gone and we can build towards a sustainable recovery. We are still waiting to see how we make progress out of the situation, but it will require support from both Governments at Holyrood and Westminster to help support the sector to get back to the economic powerhouse that it once was before the pandemic.

Willie Macleod: I would not disagree with anything that my colleagues have said. I thought perhaps I might put the wider hospitality industry in Scotland into a little bit of context in its normal trading circumstances.



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In 2019, our industry employed about 285,000 people and supported a further 72,000 jobs indirectly through our deep and wide supply chain. We normally turn over about £10 billion a year. We are about 80% of the Scottish tourism industry in terms of turnover or value and employment. We think we have lost about 50,000 to 60,000 jobs over the last 12 to 14 months. At the moment, probably about 60,000 to 70,000 jobs remain at risk.

The fallout of all this is not going to be clear until businesses are up and trading again and have decided how they can operate in terms of staff and teams after furlough. The industry has been very badly hit. The fallout has been affecting businesses and staff. Recovery is going to take some time. Optimistically, some businesses are hoping they might be back at breakeven later this year, if they are able to open on a viable and sustainable basis, but this is going to stretch into the medium term and probably into at least 2023.

We are seeing positive signs at the moment: the rollout of the vaccine, reduced hospitalisations and reduced deaths. We are a very resilient industry. Recent surveys show some optimism. We recovered very quickly from the impact of the financial crash in 2008-09, but at the moment we absolutely have to get businesses going. Businesses need clarity. They need confidence and they need leadership from Governments, both at Westminster and Holyrood, and indeed from within the industry. International travel is critical.

Looking ahead, I think we have some good foundations to build on. We have some well thought through recommendations from the industry-led Tourism Recovery Taskforce, and we have a very sound national Scottish tourism strategy looking forward to 2030. I certainly agree with what Stephen said about not conflating hospitality and tourism. We have different needs and we make different contributions, although the interconnection between hospitality and tourism is absolutely undeniable.

We have produced a manifesto for the future Scottish Government. That looks ahead at a whole range of issues that will need to be in place if our industry is going to recover. I will happily cover that in a bit more detail later.

Q4 Chair: Thank you, Willie. I hope everybody heard that. It seemed quite clear, and I am seeing a lot of people nodding their heads.

We now seem to have a route map out of lockdown. I am in London and I have seen that the pubs are obviously open outdoors. Scottish pubs will be able to open in the next week. We will be opening our domestic tourism sector soon. All visitor accommodation will be open in Scotland from 26 April. Indoors dining will become available on 26 April. Can I get your thoughts about how we are leaving lockdown? Do you share the concern that this has to be done very cautiously, based on best medical and scientific advice, and that we should not be doing anything that would put anybody at risk in terms of building another new wave of the



pandemic?

Frank Whitaker: It is welcome that we have a route out and that things are starting to move. From a hotel perspective, what everybody should be concerned about is that 26 April is not like turning on a tap of revenue. If I run a bar or a restaurant and I am able to welcome customers back, I have revenue coming in straightaway, but if I am running a hotel, it takes longer for that demand to build up and materialise into bedroom sales.

The concern I have is that I do not see enough being done to encourage people to work safely from their offices. If you use hospitality and retail as examples of safe operations in terms of social distancing, higher disinfectant points and contact tracing, these are real examples that could be translated in a risk-assessed way into getting offices working again in a phased way.

Until we see that, we are not going to see much improved footfall in city centres. We are not going to see the consequential spend in retail and hospitality outlets and we are not going to see people buying bedrooms. In a city like Aberdeen where there is a very high reliance on car-mode transport as opposed to public transport, the risk of that is fairly low. We have been advocating for some time that the city is used as a sample for safe return of office work.

Stephen has touched on the fact that financial support runs out on 19 April. My £19,500 dropped into my bank account yesterday—thank you very much, Aberdeen City Council—but my ability to earn revenue is probably not going to materialise until we get into late July. How do I manage through there? Cash flow remains the main concern. If you do not have financial support and you do not have revenue-earning abilities, how are you going to manage your cash flow until you get to that point?

Depending upon the sector within hospitality, the way we are opening the economy is either going to benefit you—if you have a rural hotel or you have a food and drink-led business, your recovery is going to be at a faster pace. If you are a city centre property, your recovery is going to be at a slower pace.

Q5 **Chair:** Mr Togneri, is the trade looking forward to 26 April? I know there are some thirsty MPs who will be looking for pubs reopening again.

Paul Togneri: Yes, absolutely. Our members and pubs are desperate to get back, open their doors, start serving customers again and doing what they do best, which is welcome the community and welcome their customers back into their premises. It is good to see that we now have a route out of lockdown through the levels system.

There are some concerns—which Mr Whitaker highlighted and I am sure colleagues will also highlight—around how that will work for the hospitality industry. For the licensed trade, and for pubs in particular, the maintenance of a curfew creates issues. We will not be viable until we are



back to full licensing times, so we would like to see some changes to that. Likewise, the inability to serve alcohol indoors from 26 April puts pressure on wet-led businesses. Those that have a substantial food and drink offer will, of course, be able to start serving customers indoors and out from then as well, but the majority of premises will not become profitable and properly viable again until we see the removal of all restrictions back to licensing times.

We are focused on the longer-term piece. It will be great to get back again and just be able to trade at all, given how long it has been for the majority of premises in Scotland. We are looking forward, but the recovery will remain in a difficult position, and it will be difficult to properly understand the impact of Covid until we come out the other side. For the majority of our businesses, it will not be until we reach level zero that we properly see the recovery start.

Q6 Chair: Mr Macleod, is it right that caution is at the very heart of everything we do in terms of unlocking?

Willie Macleod: I think so. We are looking forward to 26 April when some businesses can open both outdoors and indoors, but restrictions remain. We are hearing some reports that businesses that may be able to open on 26 April will deem it unviable to do so until maybe 17 May when we enter level two. I don't think there is any real prospect of viable trading until we reach level two, or even level one with the optimistic date, perhaps, of 1 June affecting that.

Although we can open indoors from 26 April, we are closing at 8 o'clock. We cannot serve alcohol. That has impacts for hotels, for example, that are allowed to serve food to residents between 6 am and 10 pm, but they cannot serve a drink to a resident in a public area of the hotel. The anomaly there is that hotel residents are able to bring any amount of alcohol into the hotel that they wish and consume it in their bedroom, but they cannot have a glass of beer or a glass of wine in a more controlled and managed environment in the licensed part of the hotel.

There is some caution. Certainly, we are looking forward to getting through to level one and level zero, and even then aspects of our industry—the nightclubs, for example—will still suffer severe restrictions and probably remain closed well beyond June.

Q7 Chair: Lastly, Mr Montgomery, have we roughly got this right in terms of balancing the caution against the trade getting reopened?

Stephen Montgomery: As my colleagues on the call will know, I am very straight talking and there is no point in beating around the bush. The hospitality industry has been fed a carrot since October last year. We have put in three, probably four, different proposals, when asked by the Scottish Government to do this, on how we see hospitality coming out of the Covid pandemic as far as viability to trade and so on. I think my



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colleagues would agree that not one of our proposals has been taken on board.

Here we are. All hospitality businesses have two main limiting functions on their ability to generate income: the number of hours a week that we can trade and the number of people that we can fit into our premises. Covid restrictions have proved lethal for hospitality businesses precisely because of the limited number of hours that the premises can now trade, as was alluded to earlier, as far as 8 o'clock, inside, with no alcohol. We cannot have an evening service.

This was exactly the problem we had last time, where it was a 6 o'clock closing at level three. Effectively, that was a 4 o'clock close, because you cannot rock up to one of my restaurants at a quarter to 8 and expect to have a fillet steak, or quarter to 6 at that time. It is now 8 o'clock, so that is a 6 o'clock close.

I understand there is caution, and we want to work with both Governments to try to get us out of this pandemic. However, allowing alcohol outside with or without a meal and not allowing it inside; not allowing hotel residents that alcohol when it is actually their place of residence for the night, when they might as well do it at home; we have had the music ban—

Q8 Chair: Mr Montgomery, do you not accept that this is what has been designed and suggested by clinicians and those who are in the business of identifying and predicting risk? They are not doing this to hurt you. They are doing this to try to keep the rest of us safe, surely.

Stephen Montgomery: Okay, if that is the argument, if you take the Scottish Hospitality Group as a whole, from 15 July last year to 26 December we had 32 positive cases of Covid. That equated to one positive case in 36,000 hours worked. We have track and trace; they do not have it at the supermarket. We have everything in place to allow us to trade viably.

There is no evidence that we have found and, after a freedom of information release that we got from Scottish Government, there is no evidence to show that hospitality is a place where Covid spreads. There is no greater impact in that than there is going to a supermarket or anywhere else. Our viability to be allowed to trade as we come out of this has been further hampered by the fact that we have put all these proposals in and we are not getting listened to. We have taken all the mitigating circumstances—we have done it two or three times now—and we have not got any further.

Chair: Thank you for that. I am sure some of the clinicians who are working in Test and Protect, when they are tracing people who have contracted coronavirus, might have a bit of a different opinion when it comes to how some of these positive cases are identified. We will leave that one just now, because we will come back to some of these issues. I



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am keen to move on to other colleagues.

Again, just a plea to all our witnesses, if you feel that some of the points have been answered, don't feel that you need to repeat them or give your own interpretation. We are trying to get through as much as we possibly can today, and we are grateful that we have all of you along this afternoon.

Q9 Andrew Bowie: Thank you, gentlemen, for giving up your time today to speak to us. It has been enlightening thus far. I am going to focus my questions, as you would expect, on the north-east of Scotland so, Mr Whitaker, I will be directing a lot of my questions to you.

Just before I do, Mr Montgomery, I missed the figure. You said a certain percentage of your workforce in the industry are of the age of 16 to 24. I missed the percentage, I am so sorry.

Stephen Montgomery: Between 1,300 and 1,400 of those are between 16 and 24. We haven't got the up-to-date figures because obviously there will have been redundancies since that figure. At the moment we are estimating between 1,300 and 1,400.

Paul Togneri: We have some stats for the pub sector overall. We think 43% of the sector are under 25. That compares to just 12% in the overall economy. I believe that one in 14 young adults currently employed works in the beer and pub sector in some form. That is just to give some context.

Q10 Andrew Bowie: You as publicans and your members in the trade are obviously worried about surviving as a business, but there will be a feeling of a duty of care towards these people, many of whom are dependent on this work. They might be studying. They might be setting out on their career paths and all the rest of it. How long is this situation sustainable? When will we be back in a position for you to reemploy all these people who desperately need these jobs as we move forward?

Frank Whitaker: The simple answer is that it is revenue dependent. Until we are earning enough money as a business and we have enough demand, whether that is food and drink-led or whether that is bedroom sales, it is very difficult to say what that employment pathway is going to look like.

Q11 Andrew Bowie: Does the pathway to reopening that we have right now help you in any way, or is it going to be a case of having to wait and see exactly what the revenue is?

Frank Whitaker: From a hotel perspective, it does not help in any way, unless you have an area where you can take advantage of food and drink sales, so a significant outdoor area. My own business is a corporate city centre hotel. We regrettably made 30 people redundant in September last year. I do not have a kitchen, bar or restaurant team, and I have no plans to recruit those until my bedroom sales are at a level to make it commercially viable. At the moment, I cannot tell you when that will be.



Willie Macleod: Much will depend on location. Once we get people travelling within Scotland and throughout the UK, I think we will see some latent demand, particularly for our rural areas in Scotland. Hotels that are planning to open on 26 April or 17 May are seeing quite buoyant bookings coming through, but I do not think we can look at Scotland as a single entity. Our cities have suffered massively, as Frank is suggesting, and it will take a long time for our cities to recover. Our events business, our business travel, our conference industry, all these markets have been very badly hit.

I think we will see some structural change in some of these markets. We might not see some of that trade coming back. As Frank says, we are a labour-intensive industry but we are also almost a cash trading industry. We generate money very quickly. If demand is there, we need people to service that demand. Employment and reemployment will follow increasing turnover and consumer confidence, but I think the cities are going to be a problem for much longer than the rural areas.

Q12 **Andrew Bowie:** I could not agree more with your summation of the situation. On that, I am going to turn to the situation in the north-east of Scotland, in and around Aberdeen City and Shire.

I think Mr Whitaker would probably agree that we have been subject to almost the perfect storm over the past few years, from the oil downturn, a very unfair situation regarding business rates that affected many accommodation providers in and around the city and into Aberdeenshire, particularly down the coast into Inverbervie and Stonehaven, based on very out of date rates valuations, and then, of course, coronavirus.

As Mr Whitaker has already said, this is a part of the world that is more dependent than most on business travel and events, so what indication have you had from the Scottish Government as to when on earth we can get back to planning conventions and events, something on the size of Offshore Europe, which brings hundreds of thousands of pounds into the local economy, and not just into Aberdeen City? As you know, you have people staying as far away as Montrose to commute into the city to attend conferences and events such as that. Do you have any indication as to when we are going to be able to be in a position to start hosting these events on which the north-east is so dependent?

Frank Whitaker: It is a little unclear at the moment. The challenge that we have with business events is that, currently, it is not a four-nation approach. You mentioned oil week, so if we take P&J Live as an example, which is a marvellous international event space in Aberdeen, a month's delay on the roadmap for business events reopening does not necessarily mean that you have lost business for a month because that particular business, if it is an international convention, for example, is probably going to be contracted at a different city for the next three or four, even five, years. You are effectively losing a piece of business for five years.



The current expectations are that major events are going to have about a 50% materialisation compared to the same event prepandemic. Part of that is that we have got very good at this sort of thing. The advent of technology to enable hybrid meetings is going to be an impediment to the number of people who will physically go to a conference or an event venue. The knock-on effect of that is the spend in the local economy, whether that is buying hotel rooms or spend in hospitality. That is a real concern.

If we look at P&J Live and the source of business for P&J Live, the majority is local, there is no doubt about that, but those local events are small volume and small value. The big volume, big value events originate south of the border and have a higher international audience. It is a little confusing at the moment. Certainly, the feedback I get from P&J Live is that there is more confidence in England around the pace of business events bookings than there is in Scotland at the moment.

Q13 Andrew Bowie: Of course, somewhere like P&J Live is in direct competition with any events arena, be that in Birmingham, Liverpool, Manchester or, indeed, London. They are competing on the same playing field, but due to the lack of clarity are you saying that they are worried that business is being lost due to a lack of confidence in Scotland in terms of reopening?

Frank Whitaker: Yes. Even under level zero in the Scottish Government's framework there is still fairly significant restrictions on the events sector. You have an indoor limit, for example, of 400 and staff, so the ability to compete for an international event, even when we reach level zero, is not great.

Q14 Andrew Bowie: I was going to ask about tourism, just thinking a bit about business. Obviously, it is very sad to see so many events being cancelled throughout the summer, but we just spoke about how in rural Scotland bookings are on the up, confidence is higher. Is there a city/shire split in terms of confidence for the summer? Are the businesses closer to Aberdeen City or, indeed, any cities in Scotland less confident than, for example, cities further up Royal Deeside and into the Cairngorms or across Scotland?

Frank Whitaker: I think you can nuance it even more than that. You have examples in Aberdeen City of hotels that may be smaller in terms of the number of rooms they have, maybe 50 or 60 rooms, but they have significant outside space. They have been able to transform their operating model to take advantage of being a food and drink-led business. It is not as clear-cut as being a city and shire split. There is no doubt that if I operated a rural hotel I would feel more confident about the next few months than I do operating a city centre corporate hotel, absolutely no doubt about that whatsoever. It is not just the next few months. It is the rest of this year.

Q15 Andrew Bowie: I am conscious that I have taken up some time and



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other people want to come in. I will ask the four panellists briefly: how long is the situation sustainable and when is the latest that you think we can go beyond even level zero? Essentially, all four representatives in front of us today have said that the situation regarding the pub trade and hospitality, tourism and accommodation, until we get beyond those limitations that are in place, even at level zero, is a very difficult field in which to operate. I just wonder how long this is sustainable right now.

Frank Whitaker: I would point you to the last ONS business impact survey from 1 April, which said that 43% of respondents say they have no more than three months' cash reserves left. That is the answer.

Stephen Montgomery: That is on top of the £80,000 to £85,000 debt they have already incurred between the VAT deferrals and everything else that goes along with it.

The issue of social distancing is massive for our trade. If you take the late-night venues, I will give you an example of one of our members whose normal capacity in a well-known bar in Inverness is currently 200 people. The reduced capacity with one-metre social distancing and all customers seated is 55. In a normal summer, the turnover with unrestricted operations is £36,000 a week. Reduced summer turnover with social distancing is £12,000 a week. Reduced summer turnover with social distancing and a 10 o'clock close—if you are look at the trading hours—is £8,000 a week. When premises would normally turn a net profit of possibly 5%, that is a trade decline of 70%, so it is unsustainable.

Willie Macleod: I think the businesses are in dire trouble. Cash flow is virtually non-existent at the moment. Businesses have utilised reserves. There has been a huge amount of investment in hygiene and safety measures, including staff training in premises. We estimate that amounted to about £900 million at UK level, maybe £80 million to £90 million at a Scotland level. Balance sheets are anything but balanced, and businesses have incurred significant additional and unforeseen borrowing in order to underwrite this non-existent cash flow.

It is going to be a very finely balanced position about how sustainable they can be. The longer this runs with inadequate financial support—and every £1 of financial support we have had is welcome, of course it is, whether that is through business rates or direct grant, but it still isn't sufficient to meet the costs. The fixed costs of closure for these businesses have been horrific. We have to get them trading as soon as possible to have the crossover between the downward curve of losses and possible closure and the upward curve of moving towards viability.

We fully accept the public health argument and, indeed, our part in it, but to pick up on the point that Stephen Montgomery made, there is no overwhelming evidence we have seen that hospitality settings are the source of infection. The only report I have seen that came from within Scotland is the one from the Chief Nursing Officer some time ago. That certainly showed hospitality settings as being a source of infection, but



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we have to bear in mind that people who contract the infection have been in multiple settings. It is not just hospitality. They are in retail settings, they are in supermarkets and, importantly, they are in people's homes. Somebody who has been in the pub, who is contacted by Track and Trace because there is an infection, may well have gone on to an illegal house party. Are they going to admit to Test and Protect that they have been at a house party? No, they are not; they are going to say they were in a hospitality setting.

We would refute the assertion that we are as responsible for infection transmission as is being implied. That is something that really needs to be quite closely looked at as we are allowed to reopen, because if we cannot reopen we are not going to achieve levels of viability and businesses are going to close, people are going to lose their jobs.

Andrew Bowie: Absolutely. Thank you very much, Mr Macleod. Sorry to cut you off, but I am conscious that there are lots of other questions to be asked.

Willie Macleod: I am sorry about that.

Andrew Bowie: No, not at all. I am going to pass back to the Chairman. I will just say that I am sure every MP on this call will commit to doing their bit to support the hospitality sector, as soon as it reopens, in whatever capacity we can.

Stephen Montgomery: Mr Chair, can I just interject for a wee second on some figures?

Chair: We will probably get to them, if that is okay. I am very conscious that lots of colleagues want to ask you questions and we have a big panel. Can I just appeal—and I know I am speaking to people in the hospitality sector and they will be hospitable—for more concise and to-the-point answers to our questions? That would be much appreciated.

Q16 **John Lamont:** Good afternoon to the witnesses. Many of the points I was going to raise have probably been covered off already, but my first question is about the quality of the guidance that you received from the Scottish Government and how that was communicated with your industry. Was it of suitable quality, and did you feel as if you knew exactly what you had to do?

Stephen Montgomery: What guidance? We are now less than 10 days away from opening up outdoors, and we still haven't got it. We do not have any idea what the BRIA is. We haven't got any idea of the guidance. There are no regulations that have been printed yet. We are on a whim.

Every way through this last year has been last minute, with most of the guidance coming out on the Friday, at 8 or 9 o'clock at night, for it to be implemented on the Monday morning. As we saw in one of the other sectors last week, the guidance came out for them on the Thursday night



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when the bank holiday was on Friday and Monday. There has been no ideal guidance come out at all.

Frank Whitaker: From my own perspective in the business that I run, I am pretty clear in terms of what I need to do and how I need to do it. We have been doing it for a year. I would say that, as an industry, we are very good at adapting quickly, putting in high levels of disinfection and sanitisation, and innovation to make it an easier customer experience.

Where I could be critical is the timing of when guidance is released. It is often at the last minute and it often puts pressure on the business to get their head around it, understand it, implement it, train the people who are going to be living it, and make sure that you have the right mitigation processes in place so that the risk of spreading the virus cannot be blamed on our sector. If we had more time to do these things properly, it would be better.

Willie Macleod: I would certainly agree with Frank and Stephen about the timing of the guidance. Mr Lamont, your question also touched on the quality of the guidance. It would be difficult to take issue with the quality of the guidance once it appears. We worked fairly closely with Government officials in relation to that guidance. We worked very closely in the preparation of hygiene and operational protocols in the spring of 2020, where we and other trade bodies, including BDPA, produced very extensive guidelines for businesses to operate in a safe and hygienic manner.

I think the problem is that, the longer we go on with this and the longer we see more changes in Government restrictions and changes in the route map and the strategic framework, the guidance just gets longer and longer and is now turning into something resembling the New Testament. You really have to search for the items you are looking for. I field telephone calls from safety and other senior officers in major companies, including legal counsel, who are having some trouble finding the most relevant, current and up-to-date guidance.

Paul Togneri: I agree 100% with the timing aspect that has been raised. Due to the necessity of when the regulations are made, it means that businesses are often looking at the last minute to make sure they are compliant with what is set in them. To Willie's point, we have a very good relationship with Scottish Government officials. We have a weekly meeting at which we go over any issues that have been raised in the time being, but also look at what the sector requires to open viably and safely. Obviously, no policy decisions are made there but we have a very good working relationship with the officials.

If we have questions, which I often get—as Willie does, and I am sure Stephen and Frank do as well—we are able to find the answers relatively quickly. With the speed at which these regulations are made, it has been more difficult than in normal times but I think the officials, in particular,



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have been instrumental in ensuring that we can get answers and get the guidance to our members as quickly and efficiently as possible.

Frank Whitaker: The one thing that we miss in this is the impact of it on our customers and the people who work for us in how they are communicating to the customers. I think it is as relevant that the customers understand the guidance and the regulations, and understand that if we say, "I am really sorry but you cannot do that," it is not because we are being awkward. It is because we are trying to do the right thing.

Q17 **John Lamont:** Thinking about the new levelling system that the Scottish Government will be bringing forward, my understanding is that if you are at level three and you are attending a wedding you can consume alcohol indoors, but a couple having a glass of a wine in a restaurant would not be permitted. Is that correct? You are nodding your heads.

Paul Togneri: That is correct.

Q18 **John Lamont:** In the discussions you have had with the Scottish Government, do you understand the rationale of the thinking behind that distinction?

Paul Togneri: It would be difficult for us to produce the evidence that suggests you are safer at a wedding than you are as a household in a hospitality premises. I don't think we can do that. I think we can see the logic behind significant life events being allowed to be a bit closer to normal than they have been previously. You can see why allowing alcohol at a wedding, a wake and other life events would be important to people, but the logic of not being able to have a pint of beer or a glass of wine with a meal with somebody from the same household is a little lost on us. We do not have the evidence to be sure that it is safer in one environment than the other.

Q19 **John Lamont:** That is your analysis, your understanding, of why there is that distinction, and not what the Scottish Government have told you?

Paul Togneri: I believe we have had some conversations with officials that alluded to that but, no, nothing from members of the Scottish Government.

Stephen Montgomery: I think I heard Paul right there, it is just what we have been told. I did some media on this, and it is quite scary that it could lead to some conflict where you could have three or four small weddings in the one hotel, in a restaurant where they are all able to have a drink and toast the bride and whatever they want to do. Yet on another table you have people who are on a first date and are sitting with their lovely fillet steak and a glass of water. If somebody can tell me that the two people sitting across from each other on a first date are more at risk than a wedding of 50 people consuming champagne and whisky, I will eat my hat.



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I really do not see the issue with that, and I think the people who support our businesses all year, our locals, would take umbrage with it if they saw a wedding in their local hotel where people are allowed to do that. We understand it is the hygiene and the spread of the virus, but I think we lose the fact that our locals support us all year.

Frank Whitaker: A lot of our members are confused by the regulations on what a hotel guest can and cannot do, not how to implement it but the reasons for why they can and cannot do what they are being asked to do. We have been open for essential customers since July last year. When customers are able to go out to a restaurant and then they come back to the hotel and I am saying, "I am really sorry, but if you want a drink you have to go to your room. You cannot sit in this well controlled, well managed area," it does get a little bit difficult to manage.

Willie Macleod: There are some inconsistencies that are difficult to understand. Frank alluded, and I think I alluded to it earlier, to the ability of people to consume any amount of alcohol in their room. When hotels were open last summer and there were restrictions on alcohol, and even no alcohol permitted with a meal, we were given examples from hoteliers of people drinking in their room before they came for dinner, disappearing during a meal to consume alcohol in their room and then come back down. Some of these regulations are verging on the nonsensical really. As an industry, as licensed premises, we are used to managing the consumption of alcohol and managing our customers, and we believe we provide a safe, controlled setting for the consumption of alcohol.

John Lamont: That is very helpful.

Chair: Apologies, somebody has a drill here in Portcullis House, so if you hear any drilling in the background I am sorry about that. I will mute myself when I am listening to answers and questions from colleagues.

Q20 **Sally-Ann Hart:** Good afternoon to the four-member panel. I am going to have a look at the business support available to hospitality sectors. As you all know, in the March Budget the Chancellor extended the VAT cut and the business rates holiday, on top of the extension to the furlough scheme, until September, and other support measures. You might all be on the same page, but do you think the provisions set out in the Budget meet the needs of the Scottish hospitality sector with the VAT rate for the tourism and hospitality sector and the business rates relief?

Paul Togneri: The measures outlined in the Budget were hugely welcomed by our sector. The extension to furlough has been instrumental in securing jobs. With our sector being closed and having no income, without that we would have seen a lot more business failures and redundancies, so it has been very much welcomed. In Scotland we have a full year of business rates relief, which similarly is hugely welcomed and is instrumental in keeping businesses open. That is very much welcomed.



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The VAT cut for food and soft drink sales in hospitality is another massive positive. Of course, we cannot benefit from that unless we are open, but we would like to see it go a little further. We would like to see that cut be made permanent, and we would like to see it extended to all drinks. At the moment it is just on soft drinks. Beer is a hugely important product in pubs not just across Scotland but across the UK. It accounts for roughly half of sales for pubs and represents around two thirds of all alcoholic drinks sold in pubs. Extending that VAT support, if possible, to include alcoholic drinks would be another benefit that could support the trade and is something that we would be very keen to see.

The economic support across the piece has been fantastic. It could still be better, and we hope it will be better to help support sustainable recovery, but without it we would be in a much more precarious position.

Willie Macleod: On the permanence of the reduction in VAT on hospitality and tourism services, UKH and the previous body, the British Hospitality Association, have been arguing for a long time for a reduction in tourism and hospitality VAT. That is on the grounds of competitiveness with other European countries, notably Ireland, which has a lower rate of VAT than we do.

We conducted some research, albeit a number of years ago, using the Treasury's own model. We have reports that show a reduction in VAT, while perhaps leading to a loss of Treasury receipts in the immediate short term, over a period of time produces a positive net fiscal impact. It creates jobs and, because of international tourism, it adds to the balance of payments by addressing the balance of payments deficit on tourism.

I will also touch on non-domestic rates. In Scotland we are very fortunate to have had 100% relief in hospitality during the last financial year, ending just over a week ago, and the current financial year. The real concern has to be the next year, 2022-23, because the default position will be businesses returning to a liability for non-domestic rates based on the 2016 revaluation. There will not be a hospitality business in the country that can afford to pay rates in the next financial year at these levels, and in April 2022 we have the tone date for the revaluation that comes into force in 2023.

The summary of this point is that we really need a fundamental review of the business rates system as it applies to our sector, as the UK Government are undertaking—although paused—on business rates south of the border. We believe there is significant evidence from the reports produced by SPICe, the Scottish Parliament Information Centre, and the Scottish Government's own review of the 2017 revaluation that clearly suggests our sector is disadvantaged and pays more than its fair share of business rates, partly due to the method by which the assessor values our sector.

Q21 **Sally-Ann Hart:** I think the Chancellor, the Treasury, is looking at a review of business rates, as you rightly say. Mr Montgomery, you sent a



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letter to us and you recommended bold action to permanently establish a VAT rate of 5% on food services and accommodation. Listening to Mr Macleod, who touched on justification for a permanent VAT rate, how would you justify a permanent VAT rate at that level?

Stephen Montgomery: I concur with what my colleague Mr Macleod has just said. It creates jobs. It happened in the Republic of Ireland, where a reduction in VAT rates, as Willie said, reduced the income to the Government. However, it made it more affordable for those in business to pay it and they were able to drop their prices a wee bit, which brought in volume, which in the long term gave a better effect.

If I can bring you back to business support, we welcome the furlough scheme, which has had a really great impact. We are a skilled business and we cannot just walk out to the street and get anybody in to cook a fillet steak. The furlough scheme was a great way of helping us save our colleagues in the workplace, however it wasn't free. Across the Scottish Hospitality Group every week we are paying out £196,000 towards national insurance, holiday accrual and pension. The total support coming in from that is £66,000 a week, and now we have the furlough going on to September, which is great because we can phase our back to work. However, once that drops off, I think we will find not just a Covid crisis but a debt crisis.

Sally-Ann Hart: Thank you. Mr Whitaker, do you have anything to add?

Frank Whitaker: I don't have much to add, just if we can link this back to revenue generation. If you take our VAT rates in hospitality and compare them to our European competitors, we have one of the highest rates of VAT on hospitality in Europe. The VAT cut is very welcome, but let's not forget that we have not been able to take advantage of it because we have been closed, so we have not been earning any revenue. It is encouraging that it was extended. I believe the minimum of 5% should be extended for 12 months, not phased up to 12.5% from September. Our revenue-earning ability between now and September is not going to be as great as I think we all hope it would be. The reality is that our revenue will be greater in Q4 and into Q1 and Q2 next year. An extension of 5% for that would be welcome.

The CJRS is a benefit to the people who work for us. The speed at which the extensions to it were communicated last year regrettably resulted in jobs being lost because decisions on redundancies had been made in that time. It is encouraging that it has been extended to September, although when it was extended to September I think all of us thought, "Oh, something is not right with the economy here" because that was such a change in behaviour compared to how it had been dealt with last year.

While we are on CJRS, the scheme was designed to support the viability of people's jobs. We have examples now where major mortgage lenders are declining to give people a mortgage if the phrase "furlough" appears



on their payslips. It is still creating significant problems for the guys who work for us as they try to recover out of this as well.

Q22 Wendy Chamberlain: Thank you to all the witnesses for their time with us today. I had a question about the job retention scheme but, as some of that has already been covered, it is a very simple question: do you think the object of the furlough scheme is to save jobs? Is it doing that, and are we at risk of potentially giving debt—we have mentioned that—and a cliff edge in September, or has the furlough scheme just helped manage some of the redundancies? Mr Montgomery, you raised it in your letter so I will come to you first.

Stephen Montgomery: Yes, a lot of businesses will be managing the furlough scheme in the negative because they do not see what is coming. Businesses that probably were not viable before Covid hit would have had to pay off people anyway, but for those businesses that were viable right the way through this it was an absolute bridge to the other side. It was a perfect help for what we needed. My viable business would never have survived if not for the furlough scheme. I would have had to pay off every one of my 36 staff in one go, and I would now have to start looking to reemploy them in a skilled environment, and that would not have been possible.

Wendy Chamberlain: Do any other witnesses have anything to add to that simple question? Do you think it has achieved its objective of keeping people in work?

Frank Whitaker: I think it has, but—as I referenced in my answer to Sally-Ann Hart—last year it didn't because it came in too late and people needlessly lost their jobs. The challenge we have with the September cliff edge is all about revenue again. I am sorry to keep banging the drum, but CJRS is only going to protect jobs if there is a clear route to revenue generation with both Governments, Westminster and Holyrood, looking at stimulation packages that will make that achievable.

Paul Togneri: A lot of it was said by Mr Whitaker and Mr Montgomery, so I reiterate those points. The impact of the cliff edge in September will depend on where we are in the fight against the virus. We all hope that we have seen the last of lockdowns. The impact of closing a pub and reopening again is a lot more significant than just maintaining closure, so fingers crossed. We all hope that we will not be in that situation again. If we do come close to that, it is difficult to see how many of these businesses will survive and employees be supported without a further extension to the support. It really depends on the revenue generation that Mr Whitaker highlighted.

Willie Macleod: To put it in context, in our industry, depending on the type of business, the payroll normally accounts for 30% to 40% of hospitality business turnover. Furlough tapers, albeit it will continue until the end of September, and as we move towards the end of September I think we will have businesses making value judgments about the



affordability of staff if they come off furlough. As Frank Whitaker mentioned earlier, this is all about revenue. If you are not generating enough to support the staff, sadly it will mean that jobs are lost or that people are made redundant as they come off furlough.

As I said earlier, I think we lost about 50,000 or 60,000 jobs in Scotland last year. Some of that was people leaving the industry, some of it was redundancies, some of it was contract staff not being employed and some of it was seasonal staff not being employed. That has carried forward into this year where, as we stand at the moment on 15 April, we are still closed. We are not out of the woods yet with employment. I think businesses will be looking very carefully at how they roster staff and at labour productivity when they open again.

Q23 Wendy Chamberlain: Very briefly on the self-employment scheme, I am sure all MPs on this call will have constituents who have been excluded from some of the variety of support on offer. Also, we have very small businesses in the hospitality sector that may have been able to furlough their staff but not been able to access self-employment support for themselves. Does anybody on the panel have any observations on that?

Willie Macleod: We generally represent larger businesses where the existence of self-employment is fairly low, but there was probably a trick missed earlier in the arrangements for financial support where self-employed people probably suffered considerably while their status was determined and how their earnings were used to calculate what support they got. Beyond that, I cannot say much more about the self-employment scheme.

Q24 Wendy Chamberlain: Mr Togneri, is that an issue for some of the pubs? I think about the 200 that have closed during the pandemic?

Paul Togneri: Similarly to the point that Mr Macleod made, we largely represent the pub-owning companies, which may not have that level of exposure to employment support, but I am aware of instances where operators have struggled to get that access. It definitely has been a problem. For a lot of our members and the pubs they represent, we have supported the operators in providing £90 million in rent deductions and support to try to help these businesses through to the other side. Specifically addressing employment support, we have not had too much awareness of that, but I believe it has impacted some independent free-trade premises.

Stephen Montgomery: While the self-employment benefit was a great help to people, I think we missed a trick somewhere along the line with the small businesses who act under a directorship. There was no support at all directed to them, apart from the furlough scheme, which was too late for many. When the cut-off came in October and we were not sure what was going to happen, some directors of small businesses have been



left with nothing. Predominantly we see directors of multiples, but for some it is not the case.

Q25 Wendy Chamberlain: Moving on more generally to reopening, we have already touched on some of the considerations—and clearly the virus and the status of the virus itself is part of that—but to try to give hospitality the best chance, what additional support do you believe is required as we move to reopening? How does that relate to the roadmap?

Frank Whitaker: What additional support is required? Again, it is all about revenue. Deloitte published a hotel sentiment survey in March, which said that the sentiment on disruption has shifted towards the longer term; 71% of respondents expected it to last beyond 2021, compared to 59% who had that opinion in October last year. You can tell that, without the ability to earn revenue—our strategic business funding support is coming to an end this week, and the job retention scheme is coming to an end in September—we will need to bridge that gap, so we need to put more financial support in place. While I am quite happy to take £3,000 every four weeks, the reality is that it barely touches the sides. It is barely impactful on a business of this size. Is it meaningful support? No, not really but, thank you very much, I will take it to support my cash flow a little bit.

We need something that will get us to the point where we can actually earn revenue. At the same time, we need Government to be working on what that revenue stimulation will look like. Can we improve connectivity? Can we look at how offices can return to work in a safe, phased manner that restricts the ability for the virus to spread but creates demand? We need to look at city centres.

As I said at the beginning, we have 41 empty retail units on Union Street in Aberdeen. Spaces for People has been fantastic because it has allowed a lot of hospitality businesses to open up outside hospitality areas. That has transformed the feel of the city centre. We talk about café culture, and people say, “Oh, but the weather in Aberdeen,” but we compare quite nicely to the Nordic countries that successfully manage that type of environment.

We need to put a lot of thought into how we support a city centre recovery and ensure the purpose of a city centre as a place to live, work, shop, enjoy the night-time economy, because if we do not get to grips with that we will be struggling. I shared with the Committee in advance of this session a paper that we have been working on with the Scottish Tourism Alliance, and it gives some stark data on city centre recovery. I urge you to consider that, as well as extending the business support, until we are able to earn some revenue.

Q26 Wendy Chamberlain: I suppose the question about revenue is that it will be different for different ones. My experience as a constituency MP is that it is the pubs that don't sell food, that don't have outdoor space, that have been most significantly impacted. Mr Togneri, what are your



thoughts?

Paul Togneri: Yes, absolutely. Especially with the roadmap moving forward, it will be the wet-led premises, those that do not have a kitchen or any outdoor space, that will be last to reopen, last to become viable and the last part of the recovery.

Picking up on Mr Whitaker's point—I will try to be brief—the SBPA and BBPA commissioned the local government think tank Localis to undertake an independent critique of the last 12 months, of the pandemic, the consequences for the sector and some considerations for policymakers going forward. It came up with some key recommendations that included ensuring that all the restrictions are removed as quickly as possible to do exactly what I just said, to help support those businesses that will be the last to open. They have also suggested a two-year moratorium on new legislation that would slow or inhibit the growth of the sector in the recovery period.

We know that in Scotland we have the deposit return scheme coming into force in the next few years. That will have an impact. For pub businesses and the landlord and tenancing sector the Scottish pubs code will be coming in over the next two years, so reducing the limit of any legislation that would have a further impact or help prohibit the recovery is something we would like to see. We also called for urgent reform of the business rates system—I know we touched on that previously—as well as making permanent the VAT cut, which we have also discussed.

The report also had a recommendation—it is something I have not mentioned yet—that a sustained cut in beer duty over the course of the current Parliament would be instrumental in supporting pubs. As I mentioned earlier, two out of three alcoholic drinks served in pubs are beer and it accounts for roughly half of turnover. Continuing the beer duty freeze was a positive step, and continuing to reduce that burden will be instrumental in helping to support pubs move forward.

We would also like to see greater collaboration on skills. Since we have left the European Union, there will be a small skills gap, particularly in specialist areas such as kitchens. Previous to Brexit, roughly two thirds of kitchen staff were EU nationals and there was a shortage prior to that, so that is something that will also require some support in ensuring that we have access to the people who have the skills required to support the industry.

As Mr Montgomery mentioned earlier, we do need to train staff. It is not possible for just anyone to be a chef, so support there and across those other things would be appreciated. I can share a copy of the Localis report with the Committee afterwards for your consideration.

Q27 **Wendy Chamberlain:** Thank you. I think there are other questions in relation to the EU. I worked for a drinks company before I was elected and I was involved in their skill training, so I know how important that is



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for hospitality.

My final question, very briefly. Hospitality is part of a wider ecosystem, if I think of North East Fife as the home of golf. What other aspects of the roadmap do we need to ensure are realigned to give hospitality the best possible start as restrictions ease? If I come to Mr Montgomery and Mr Macleod on that.

Stephen Montgomery: I will pass that to Willie. He has more of a background in this than I have.

Willie Macleod: It comes down to supporting the buoyancy of the entire supply chain. Hospitality businesses do not operate in isolation. We tend to look at our supply chain as being essentially the food and drink wholesalers and, of course, that is an important part of the ecosystem. Indeed, our supply chain has suffered greatly. I don't think they have been as well supported as we have, yet we complain that we have not been well supported or sufficiently well supported, so I think it is the survival of our supply chain and the smaller local food and drink producers who contribute greatly to the quality of what we offer.

The supply chain goes beyond that to providers of reasons to visit, so golf courses, golf tour operators and inbound tour operators. All these businesses are very symbiotic. We need complete buoyancy right through the wider supply chain if we are to survive as a hospitality and tourism industry.

I would commend to the Committee the report of the Scottish Tourism Recovery Taskforce that I mentioned earlier. That contained a number of recommendations for the Scottish and UK Governments, some of which have been addressed and some of which remain to be addressed. The Scottish Government are currently implementing 10 priority recovery projects supported by, I think, £25 million that came out of the recovery taskforce, but there is more to be done.

If we are going to support our supply chain, as an industry there are a number of issues that need to be looked at. A lot of our businesses have accumulated rent debt, and that is a problem for them and for their landlords. I think the UK Government have asked for evidence to be submitted on rent debt. Although there are different legal systems north of the border, the issue of unpaid rent is going to raise its head. We need investment support. Lots of businesses have lost the reserves they would normally use for reinvestment in the fabric of the business or for expansion. I know that Scottish Enterprise and the Scottish Investment Bank are looking at that at the moment.

We are going to have to look at other measures to support the sector: HMRC relaxations on VAT and PAYE repayments, extended repayments on CBILS and bounce back loans, and maybe even going as far as looking at reductions in employers' national insurance, given that we are such a labour-intensive sector.



Q28 Mhairi Black: To be honest, you have already answered a lot of the questions I had, so hopefully I will be brief. My first question is to Mr Macleod. It is just a point of clarity. The brief says that UKHospitality estimates over 70,000 jobs may be at risk. In the evidence we have heard so far, you have spoken of, I think, 60,000 jobs having been lost due to this pandemic. Are those 70,000 jobs at risk further to the 60,000, or does it incorporate that 60,000, if that makes sense?

Willie Macleod: These are 70,000 jobs that remain at risk pending the end of furlough and the acceleration of hospitality business recovery through turnover. If we get trading on a viable and sustainable basis, these jobs will probably be saved. If we cannot get trading, supporting staff and taking them off furlough, and if we are still in trouble come the end of furlough, regrettably I think some of these jobs will be lost. Our early estimate could be as many as 70,000.

Q29 Mhairi Black: That is very helpful. Following on from that, one of the things I have been conscious of is that we talk a lot about how the pandemic has affected industries, but there were already some pre-existing issues and factors that were affecting the industry and they have not gone away. Looking from a slightly different angle, could you give me your insight into whether you think immigration policy is any more important or less important than it was before?

For example, we had a Scottish Affairs Committee report that highlighted that some areas in Scotland particularly suffer from depopulation and there is a reliance on immigrants coming to fill those vacancies. Any insight as to how that has changed or developed over this pandemic would be very useful.

Willie Macleod: Prior to the pandemic we were, to a fairly significant extent, dependent on non-UK workers, not all of them coming from the EU. I think I mentioned earlier, depending on which survey you look at, circa 15% of our total workforce of 285,000 would have been non-UK prior to the pandemic and, indeed, prior to Brexit, which stopped freedom of movement. A significant number of these people have returned home, and some will return if they have settled status. I think we have to wait until we get a clearer view on the labour market as we move forward, start trading and furlough ends.

I do not think we can necessarily assume that there will be a labour market that moves rapidly towards working in hospitality. I say that because our industry is not for everyone. Not everybody wants to work evenings or weekends in the 24/7 operation that we offer. We offer lots of careers. We offer significant opportunities for young people, very often their first experience of work, but I think there will be some dependence in future on non-UK labour.

We would be looking for: some relaxations in the shortage occupation list: perhaps short-term visas for EU citizens who might want to work in the country; and the expansion of the youth mobility scheme, perhaps on



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a reciprocal basis throughout Europe or with other trading partners. There is a bit of a groundswell of support within the hospitality sector in Scotland for the Scottish Government's proposal for a Scottish visa.

The last thing I would say is that, certainly as far as UKH is concerned, we have been in discussions quite recently with the DWP in Scotland about how best it might support us as we move back into a normal labour market, but we have to see what the state of the labour market is once we move out of the effects of Covid, the ending of furlough and the reopening of businesses.

Q30 Mhairi Black: Just before I hand over to Mr Montgomery, Mr Macleod, are you confident that you are genuinely being listened to when you meet the UK Government?

Willie Macleod: I would have to defer to my London-based colleagues. There are more of them than there are of me. I have to say they are doing a very, very good job. I think they are being listened to. The four of us around this table would wish that the Scottish Government listened to us a bit more. Stephen Montgomery mentioned that we had put forward proposals that, in our view, were not taken into account, and I am sure my London colleagues would feel the same. Looking at the wider issue around Covid and the support we have been looking for for our industry—and it is not just financial support—generally speaking we are listened to, but that does not always translate into the action we would like to see.

Stephen Montgomery: This is an ideal opportunity for people to take stock of hospitality. For years now, hospitality has been looked on as a stepping stone through college and university as a part-time job. This is an ideal chance to make hospitality a professional career. This job could take you to all corners of the world, just by starting in your local pub. Through the Kickstart programme and different Government proposals, this is an ideal chance to retrain people who are possibly looking to change careers. That immigration problem may still be there to a degree but not be to the fore, as it is now. Getting people out of their home environment after being stuck there for a year and retraining them into hospitality, where they are going to meet more people, will help mental health and everything else. I think now is the time to do that.

Frank Whitaker: I think the immigration question needs to be resolved. I have many examples over the last 10 or 11 years where jobs in Aberdeen have been advertised and the number of UK nationals who have applied for them have been under 5%, so we are heavily reliant on a non-UK labour market.

Very quickly on settled status, it would be helpful to get some reassurance from Government that the Home Office and immigration department systems are talking to each other. When we want to welcome back European colleagues to the UK who have settled status, and we



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want that to be as seamless a re-entry into the UK as possible, bearing in mind there are likely to be quarantine conditions at the same time.

If we are going to have European Union nationals delayed at immigration and asked about their settled status, surely when they scan their passport it should just tell them that they have settled status. I have an example. My partner is from Poland. Eighteen months ago, after she got her settled status, when we flew back into Aberdeen she was asked by the immigration officer if she had a job. As a welcoming country, that should not be happening. We have the systems in place that should enable us to make it easy, so let's make sure we get that right.

The concern around what is happening at the moment is that EEA nationals are considered non-visa nationals. That allows them to visit the UK for up to six months without having to apply for a visa, but that is UK tourism or eligibility under UK business visitor rules only. That is not about substantive work, so we have a problem. As employers, we are not really engaging in the labour market at the moment, so we do not have a clue what it is going to look like until, funnily enough, we are earning enough revenue to enable us to do that. It is a real challenge ahead of us.

Q31 Mhairi Black: I know that none of you can comment on anything until there are concrete proposals—if there are concrete proposals—but do any of you have a view in principle on vaccine passports, whether that would be a help or a hindrance to the hospitality industry, which is heavily reliant on the footfall of visitors?

Frank Whitaker: I can give you a personal opinion.

Mhairi Black: Yes, that would help.

Frank Whitaker: If you are going to ask us to police vaccine passports, you are creating a problem.

Stephen Montgomery: We are the same.

Frank Whitaker: It is not our role to do that. At the moment I cannot challenge someone who does not wear a face covering and says they are exempt. Somebody may not be wearing a face covering because they don't want to but say that they have an exemption, but I am not allowed to question them about it, yet I am responsible for making sure that everybody in my premises wears a face covering. I do not want to go down that road with a vaccine passport.

Mhairi Black: It is a fair point, well articulated.

Q32 Deidre Brock: Further to Mhairi's questions about immigration, I noticed in *The Times* a couple of days ago that it suggested that businesses in hospitality, tourism and so on would have to be—on the back of the end of the free movement policy—potentially competing more aggressively for workers, probably pushing up wages, but risking businesses' capacity to



meet demand and the quick recovery that Ministers and, of course, we all want to see. Mr Macleod, you mentioned some of the actions that might be taken in response to try to deal with it. What would be the most essential of those actions to be able to avoid that sort of situation?

Willie Macleod: I am sure my colleagues will agree with me that, if the Scottish labour market brings forward the candidates we need, we would be very happy to be employing people from the local indigenous labour market. Frank mentioned the lack of response, and indeed in many rural areas there isn't a population to support the labour market we need. It is probably unrealistic to think of some sort of greater labour flexibility from Europe or EEA countries now that freedom of movement has ended, but a more flexible approach to the shortage occupation list with possibly short-term visas for people to come into the country to work in our industry.

One of the areas we favour quite a bit is the expansion and continuation of the youth mobility scheme. In fairness, so far we have not seen how the Government's points-based system is going to work. Once we know more about the labour market—not just in our sector but throughout the UK post-Covid—we need to take stock of measures that are necessary to provide all industries, including ours, with the quality and quantity of labour they need.

Q33 **Deidre Brock:** Looking to the future, as things hopefully start opening up and businesses reopen, we on this Committee have looked quite a lot at Brexit and its impact. Apart from the freedom of movement issue, which we have now discussed, how do you think it is going to impact the activities of suppliers? I have been contacted by the Scottish Wholesale Association, and I am sure many other MPs have as well, on the possible impact of Covid, but I think the impact of Brexit is increasingly going to be felt there. What are your views on that situation? Is it going to limit the offer to your customers, and what sort of areas do you think you are going to see impacted by that decision?

Paul Togneri: As Willie Macleod just illustrated, we are waiting until we reopen and the recovery process has begun to take stock. There is some concern in the sector about the potential supply chain disruptions, but they haven't come to fruition yet, predominantly because we have been closed for that time. We have some concern about how it will work, but the major focus at the moment is on reopening and getting viable again. There are concerns there, but none has become apparent for hospitality premises at this time.

Frank Whitaker: I can give you an example at the moment. I am trying to innovate my business so that my meeting rooms can be hybrid meeting rooms. That would involve a Zoom licence, which involves some delegates in the meeting rooms, some remotely. I am facing a six-week delay for the kit I need to be delivered into the UK, on top of a normal timeline for that delivery, so this is preventing me from innovating my business to be able to maximise my revenue-generation opportunity once



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I am able to allow conferences back into my hotel. There is a good chance I am not going to be ready for that until after the point has gone.

Deidre Brock: Gosh, that is a very interesting point and one I don't think people would necessarily take into account when they think about hospitality. They would be thinking about food and drink and the difficulties with getting that into the UK. Mr Montgomery, anything from you?

Stephen Montgomery: I have nothing really, apart from everything that has already been said. The issue possibly goes wider to things like wages and so on, to encourage people back to work, rather than sitting on a benefit system because sometimes the benefits outweigh the wage. Why would somebody come to work for £20 less when they could sit at home? There is a wider issue there that we need to get over. That is probably a discussion for a separate call. It is something the UK Government probably need to look at as well.

Willie Macleod: I endorse the point Frank was making. During all the Brexit discussions, we were not only arguing for surety of supply of the imported food and beverage stuffs that we need. We can also be very dependent on non-UK manufactured catering equipment, for example. A lot of refrigeration comes from Italy. Coffee machines and spare parts come from other parts of Europe, so fleet-of-foot importation of all the items we need to run our businesses is going to be pretty important.

Q34 **Deidre Brock:** That is a very interesting point. Thank you very much, Mr Macleod. I will move on very quickly to COP26, because I know we do not have much time. Before I do, I declare an interest as SNP COP26 spokesperson. It is about how well prepared you are. There are potentially going to be—hopefully the conference goes ahead—thousands of people coming into Glasgow. How well prepared is the Scottish hospitality industry for that development?

Willie Macleod: As an organisation, we hope to have a presence at COP26 to demonstrate that the hospitality industry is critical to a major event like COP26, but we also want to showcase the industry. We want to showcase what our industry is doing as it moves towards carbon neutrality. Indeed, one of my colleagues was in discussion with Scottish Enterprise only yesterday about how we can collaborate on that.

Let's hope that the event does go ahead. In terms of business operations, our industry is grasping the concept of carbon neutrality in Scotland by 2045 through our choices of equipment. For example, how we operate our businesses through participation in schemes like the Green Tourism Business Scheme. Also it brings in the supply chain, things like food miles, local food suppliers and the construction of our buildings. We are a property-intensive business, and sometimes we think there are too many new hotels being built, but these new hotels are being built with energy efficiency and carbon neutrality in mind.



The final point I would make is that the 2030 tourism strategy in Scotland, which is critical to our hospitality and licensed industry, is looking very much at how the industry moves forward on a sustainable basis.

Q35 Deidre Brock: There has been some criticism of accommodation costs around COP. There was something recently in *Scotland on Sunday*. Is that decision made collectively, or is it up to individual hotels or—

Frank Whitaker: It isn't a collective decision, because that would be illegal. It is supply and demand; it is economics. Where there is large demand and limited supply—and it is the same with anything else—that affects pricing. I would say that the industry has suffered over the last 18 months and this is a revenue-generation opportunity. It means those businesses will do reasonably well.

I am keen to understand what both Governments are doing to showcase fringe events around Scotland, because this isn't just a Glasgow experience. For example, in the north-east we have an energy transition. Aberdeen City Council has a fleet of hydrogen buses. There is an awful lot going on, and this event should be moved around a little bit with fringe events taking place in other parts of the country.

Chair: Sorry, Deidre. I am conscious we are now at 1.30 pm and I want to get Douglas in, if that is okay, unless there is something very pressing that you need to ask.

Deidre Brock: It was just a follow up on Mr Macleod's point about how much impact the green pound is having on hospitality and tourism, and the changes that members are making, but that is probably a bit of a big issue, so maybe I need to—

Chair: Something you may come back to.

Deidre Brock: Yes.

Chair: That is a very interesting suggestion about maybe looking at town centre regeneration planning and the new type of city centre economy we might want. That is something that should interest this Committee.

Q36 Douglas Ross: Could I thank our witnesses? With the exception of Mr Whitaker, I have spoken to a number of our witnesses over the last year, and their input has been valuable. I noted that, in response to Mhairi Black's question, there was absolute confirmation that there has been good working with the UK Government.

Mr Montgomery, you suggested it has not been the same with the Scottish Government. I heard you say earlier that you had put forward a series of proposals and not a single one had been taken forward by the Scottish Government. Is there a reason for that? Is there an explanation why the proposals from the industry and the sector have not been taken forward?



Stephen Montgomery: Yes, we have put in three or four different proposals, and I am sure my other colleagues have put in proposals as well. As a group, collectively, on our Wednesday calls with officials and with some MSPs we have been asked to put in these proposals and not one of the proposals, or anything within the proposals, has been looked at.

We have put forward ideas where we can mitigate risk. We have put in ideas for where viability should or shouldn't be. I refer back to the letter I sent to Mr Wishart on the sector viability matrix and how different areas will be viable or not viable. None of that has been taken into account either. Also, we put in proposals on disproportionate grants that have been put out to people who do not need it. Cafés are going into level three and will probably be more viable now than anybody else, and they are going to be getting the same support as everybody else. There has not been anything taken into account so far, unless one of my colleagues on the call can tell me any different.

Q37 **Douglas Ross:** I am not seeing anyone jumping in. I will come to all your colleagues in a moment, but if I could stick with you, Mr Montgomery. You mentioned a freedom of information response you have had. Can you provide more detail on that? I was interested and thought I could get a couple of minutes on what you were asking and what the response was from the Scottish Government.

Stephen Montgomery: We were asking for information that led to the decision-making on why the music ban and curfews were put in place and why we were being treated differently from other sectors. The freedom of information came back—I can send it on to you—and said there is no evidence base to say that hospitality is a place where positivity collates and is spread, which leads us on to the question: why are we being restricted in the way we are? No one in retail or any other sector, either manufacturing or anywhere, is under the same restrictions.

Q38 **Douglas Ross:** It took a freedom of information request to get confirmation from the Scottish Government that they are treating hospitality differently, but that is not backed up by their own data and evidence?

Stephen Montgomery: That is correct. It took us four months to get that FOI because they kept cutting it down, cutting it down and cutting it down.

Q39 **Douglas Ross:** If I could move on from that, certainly the Scottish Conservatives have proposed, still safely and cautiously, to ease restrictions faster by moving the proposed restrictions that would be eased on 17 May to the end of this month. Nicola Sturgeon previously said that there was an opportunity potentially for parts of the country, or even the whole of Scotland, to move straight into level two.

Do our witnesses believe that the current public health data, the number of people vaccinated in Scotland, would allow us safely and cautiously to



reopen quicker? Would moving the restrictions that are due to be eased on 17 May to 26 April make a big difference to the hospitality and tourism sectors—I know they are both different—and, importantly, to the jobs that they provide?

Paul Togneri: I agree that moving the dates forward would be of benefit to the sector. Of course, being able to serve alcohol indoors and having an extended period of time in which we can stay open indoors would have a benefit as well. Picking up on Stephen's previous point, I would say that, although we have definitely not got everything that we have asked for and although we would like to be listened to more by the Government, I do think they have taken into consideration a lot of what we have put forward. We did a lot of work to get the music ban removed, which included getting audio experts to visit premises, and we finally managed to get across the line in December.

Likewise, the two-hour dwell time was a proposal that came from industry. We would much prefer it to be voluntary as opposed to mandatory. We also worked alongside the Government to design the financial support, which came out to businesses back in December. I think we would all say that we would much prefer it go further and for more of our proposals to be accepted, but I think we have been listened to in some instances. To your immediate question, Mr Ross, I think you are 100% correct. It would be more beneficial to move that forward. That is something we have called for.

Looking at how the current restrictions at level three would impact pubs, we estimate it would result in a 79% fall in turnover in comparison to previous years. That is why we are very keen to get to level two and down through the other levels as quickly and as seamlessly as possible, as long as the science is there and we continue to bring down cases in Scotland.

Frank Whitaker: I think this is about giving people reasons to visit and travel. I do not see any logic in allowing people to go en masse to a supermarket but not to travel or stay in a hotel in a controlled environment, where a lot of hotels already have enhanced disinfection, accreditation, safety protocols, social distancing and team training. The amount of investment we have made has been phenomenal. When I walk around a supermarket, I feel that I am being penalised because I can control people in my businesses much better than clearly the supermarkets are able to. That is not a derogatory comment on the supermarkets, I just do not understand the logic of how retail can be open and hospitality cannot.

Q40 **Douglas Ross:** I will go to Mr Macleod and then Mr Montgomery to answer that main point, but particularly Mr Macleod because you are part of a UK body. How are your members feeling right now, looking at an easing of restrictions in other parts of the country? For example, pubs are already able to serve alcohol and food outdoors south of the border, but we are still not able to do that here in Scotland.



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Also the original question about safely and cautiously—based on the current public health data—reopening quicker.

Willie Macleod: I am looking rather enviously at some of the earlier-than-Scotland relaxations that are happening, and Stephen Montgomery particularly will know that businesses close to the border are looking at the differences in the restrictions and the opening opportunities.

Just to go back to your main point about safe and secure reopening, as I and others have said, we believe we are a safer environment than we are presented as being. In the last 72 hours, collectively, three of the organisations around the call today, plus the Scottish Licensed Trade Association and the Night Time Industries Association, have written to the Scottish Government with the suggestion that levels two and three should be blended together and level one and zero should be blended together in an attempt to get the industry up and running, contributing and viable as soon as possible.

Stephen Montgomery: Let's not forget the fact that only 22% to 24% of licensed trade premises in Scotland have an outside garden, a beer area. Of that 22% to 24%, there are places that have only three or four tables, so opening up on 26 April isn't viable for them. In my view, there is no reason why indoor hospitality, which is a controlled environment with very little risk, as we have seen before, could not be opening at the same time.

Going back to what Mr Macleod said, yes, we have already had it where I am—I am only 15 minutes on the train to Carlisle—where people are already planning for this weekend. Although the border rules and laws are still in place, they will be going from the likes of Lockerbie, Dumfries and Annan across to Carlisle.

On the point Mr Togneri made, yes, it has to be admitted that there have been some details taken into consideration, like the music ban and other things, where we had a lot of input. One of the big ones that stands out for me, where we were involved, was in the financial budget of the January payments. However, we were not in any way involved in the budget payments that roll out this week. I find it very hard to understand why, when they trusted us with £70 million in December, we could not be trusted in doing this budget this time.

Q41 **Chair:** Just on these points, I had a constituent get in touch with me this week after observing the events in Soho on Monday. She asked me, "Should we call this the unlocking in England or the start of the third wave?" Should we be thinking with caution at the heart of all this when we are reopening, or should we just reopen and take the risk of a possible pick-up of infections?

Paul Togneri: I don't think we are taking too much of a risk. As other panellists have said in this hearing, we have a lot of Covid-secure measures in place. We have invested a lot in hygiene issues. There has



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been a lot of staff training to ensure that staff understand the issues, and we have also been involved in ensuring that guidance gets there. What we do know and we have seen is that the public and customers are eager to get back to premises. They are eager not only to support these local businesses but to see their friends, their family and their colleagues again in a positive, atmospheric environment.

Q42 **Chair:** Mr Montgomery, did the scenes in Soho on Monday not give you just the slightest bit of concern about the sheer numbers and the impact it will have on the pandemic?

Stephen Montgomery: You have to be very cautious with that, because the business operator cannot be held responsible for the events that happened outside the pub. It doesn't mean it is happening there. We are a controlled environment.

Q43 **Chair:** Do you think clinicians who are advising Government about these things should have those interests at heart?

Stephen Montgomery: If you look at it, we have demonstrated throughout this that, from 9 October, if you want to bring the dates in, hospitality in the central belt was closed and has not served one bit of alcohol since then. What happened? The positivity went right through the roof, so we cannot be blamed for the spread of the virus. What has to be said is there were house parties, colleges, universities. All that kind of thing was the reason for that, so the pubs cannot be blamed for it in any way.

Q44 **Chair:** I know you want to come in, Mr Whitaker. We saw Union Street when it reopened in Aberdeen. The whole of Union Street was like some sort of mobbed beer garden, and there were definitely signs of issues being detected there. Are you not in the least bit concerned that when we do reopen and we see these sorts of numbers coming in, even just outside, there would be an increase in infections?

Frank Whitaker: First of all, I wish it had been the whole of Union Street, because that would have been a sign of a thriving economy, wouldn't it? It was a couple of establishments on Union Street, as opposed to the whole of Union Street. I would also say that lessons in Aberdeen were learned very quickly. We have put a lot of work into the whole hospitality environment and community. A new group has been formed of all the publicans, the Hospitality Action "Together We Can" group, so there is a lot of work being done.

The scenes in Soho didn't cause me any more concern than the scenes of people waiting outside the Arndale Centre to go shopping did. I felt more reassured about the scenes in Soho, knowing that our sector has put so much work into a controlled, safer environment. The issue is that, if you take away people's ability to live a more normal life, which involves hospitality, you get extremes of behaviour when they are allowed to do something and have the freedom. I remember my kids coming home from school when they were little, coming from a very disciplined



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environment to a more relaxed environment. Their behaviour was like, "Oh, I cannot control them."

Q45 **Chair:** Is that not a real reason for caution around this?

Frank Whitaker: I think caution only takes you so far. If you can demonstrate that you have good control measures in place, that you have risk assessed what is happening, that you have invested in team training, you have invested in high sanitation protocols, you have invested in technology, like being able to order table service on an app, you are removing a significant chunk of the risk. For me, this is more about doing things in the right way than just going from nothing to everything.

Chair: Thank you for that. I believe that all you guys have acted responsibly and are doing everything possible to keep us safe, so I just want to make sure you understand and appreciate that from all the Committee. It is just right that we ask you some of these questions, as you would surely expect from a group of Members of Parliament. Can I thank you all? This has been a fascinating session and very helpful for us.

There are a couple of things that have come out of this, which I will be able to share with the Committee, about what we might want to do afterwards. There are lots of issues about the night-time economy, about the redesigning of our town centres and about how we make sure that hospitality is a central feature of all the constituencies we represent. It was very interesting and I thank you for coming along at such short notice, and I thank you, Mr Montgomery, for instigating this session with your very helpful correspondence to us.

I am pretty certain we will want to revisit some of this, to get an update from the sector about how things are going later in the year, so stand by your emails for further communications from the Scottish Affairs Committee. For today, thank you all very much for your very frank, forthright and particularly useful contributions.