SCOTTISH
HOSPITALITY
GROUP

Dear Pete Wishart MP,

I am writing to you on behalf of Scottish Hospitality Group (SHG) in your capacity as MP for Perth and North Perthshire – and Chair of the Scottish Affairs Committee - ahead of the UK government budget statement on the 3rd of March.

As you may already be aware from media coverage and discussion in the Scottish Parliament, Scottish Hospitality Group comprises many of the country's largest and best-known restaurant and bar businesses.

At a time when our industry is facing unprecedented challenges, we are asking Scotland's policymakers and political decision-makers to work with us to secure a viable short and longer-term future for our national hospitality sector.

As an MP representing a Scottish constituency, and as Chair of the House of Commons Scottish Affairs Committee, I am writing to update you on the current critical situation facing our members, key policy issues within the remit of the UK Government and Parliament, and our proposals.

The current situation facing Scottish Hospitality.

- Earlier this month, SHG shared a trading update showing that our members took in only 20% of the previous year's earnings during the vital Christmas trading period. On average, this represented a loss of £2.4m across the group in December 2020 compared to December 2019 – money that would normally support operators into the spring.

- Businesses continue to spend on average nearly £6000 per week per premises on fixed costs and contributions to the furlough scheme, while receiving only a maximum weekly grant of £750.

- The 80% reduction in Christmas trading revenue will impact on payments for property rent, utilities and equipment rent until at least the summer, affecting suppliers, investors such as pension funds, and others who depend on the industry. It also puts in doubt existing plans for £30m of investment in 27 premises which would create nearly a thousand jobs, the majority of which will be filled by people under 25, as well as safeguarding existing employment levels.

- SHG have released information on the level of debt business have had to take on in response to these extreme challenges. SHG members alone have taken on more than £16,000,000 debt since the start of the pandemic, and this figure is expected to rise considerably in the coming weeks and months. If all of Scotland's 16,000 licensed premises are in the same position as SHG's members, the industry as a whole will now be carrying a debt burden of anywhere between £800m and £1.2billion.

Key policy issues

- **Coronavirus Job retention (Furlough Scheme).** We would strongly highlight that, though it supports staff, and is better than the alternative, the furlough scheme actively costs businesses money though National Insurance Contributions, pension contributions, and employee holiday accrual. It is important that Government and policymakers understand the financial demands that it places on operators and factor this in when planning current and future business support measures.

- **VAT.** An area within the remit of the UK Government and one in which SHG would very much welcome bold action to permanently establish a VAT rate of 5% on food services and accommodation.

- Extending **business rates relief** to recognise the ongoing impact of lockdown and tier 4 restrictions on Scotland's hospitality sector

- **Overall business support**. SHG recognises the level of direct government economic support that has been required during the pandemic and that the funding for such support has come from both the Scottish and UK Government. We would however note that much of the promised support has yet to reach businesses and ongoing conflict between the Holyrood and Westminster governments creates only further uncertainty for our members, and hospitality sector operators throughout Scotland.

Our proposals

SHG are working with the Scottish Government to achieve a series of changes and clarifications to the framework document and guidance covering the various tiers of restrictions in Scotland. It is imperative that when we come out of the current lockdown, we do so to an environment that allows safe and viable trading.

Scottish Hospitality Group understands that it is imperative to limit the duration of time customers spend indoors. We believe there does not need to be a linear relationship between opening hours and duration of the public's exposure to indoor environments – and that this can be achieved through time limited reservation slots of 120 minutes for customers.

Sector viability matrix

We accept that funding is limited and would suggest that support can be better targeted, offering more funds to those less viable, and less funds to those more viable, in each segment.

We would suggest this is done through use of a viability matrix, agreed with the sector, and then intelligently targeted support can be allocated in a more efficient and less wasteful way to the segments that most need the help to stay in business and protect employment.

The below example is based on current restrictions – we would be keen to move more boxes to green, which we believe can be done with only minor changes to restrictions.

SECTOR VIABILITY MATRIX	Cafes	Restaurant	Large Hotel	Small Hotel	Food Pubs	Wet Pubs	Bars & LNV	Music Venues	Night clubs
Level 0	Yes	Yes	Yes	Yes	Yes	Yes	Maybe	Maybe	No
Level 1	Yes	Yes	Yes	Yes	Maybe	No	No	No	No
Level 2	Yes	Unlikely	Unlikely	Unlikely	No	No	No	No	No
Level 3	Yes	No	No	No	No	No	No	No	No
Level 4	No	No	No	No	No	No	No	No	No

By focusing more support on those who need it most, and less support on premises that can trade viably, Scottish Government can save more businesses, more jobs, and ensure survival of a much greater proportion of the hospitality sector than will be the case under the current approach. And all in a way which is likely cost neutral to the Scottish Government.

We would broadly propose a simple traffic light system support allocation as follows:

Yes = 50% support

? = 100% support

X = 150% support (and ordered to close, so maximising use of furlough scheme)

Our ask of you

This is a critical time for Scotland's hospitality sector. As we approach the UK Government's budget statement on 3rd March, we would greatly value the opportunity to discuss the situation and issues we face.

SHG would like to invite you to meet with us for a briefing and discussion on how we can work together in the run-up to the budget statement. Please do not hesitate to contact us to arrange this at a convenient time.

We look forward to your reply,

Yours sincerely,

Stephen Montgomery
On behalf of Scottish Hospitality Group