



**MEETING WITH JAMIE HEPBURN MSP, MINISTER FOR BUSINESS, FAIR WORK AND SKILLS.
SCOTTISH PARLIAMENT BUILDING - THURSDAY 28th FEBRUARY 16.00**

HISTORY

The SLTA has been in existence for the last 139 years and is the only body representing all sections of the Licensed Trade in Scotland. Known as the “Voice of the Trade” The SLTA is consulted by Government, National Boards and the media when the interests of the Trade are under consideration. The Association is also unique in that it represents the licensed trade at a local and regional level, dealing with the various regional authorities.

The Association’s three key aims are:-

- **Trade Protection** - To protect and promote the interests of licensee members and their staff.
- **Trade Development** - To promote and encourage training for all those involved in the Licensed Trade to ensure best practice.
- **Trade Liaison** - To drive engagement with the 30,000 personal licence holders within Scotland and provide a “One Stop Shop” for the Government to connect with Scotland’s On-trade.

TRADE ISSUES – Skills Shortages

The ability to maintain employing current European workers will be a huge issue in addition to having access to employing more European workers in the future. In 2018 we were already seeing recruitment levels critically low. The UK Government continues to state its concerns over a “skills” shortage pre- and post-Brexit, but there is not only a “skills shortage”, there is a general shortage of labour, particularly in the Hospitality and Tourism sector. This is a concern for the whole industry which will be further enhanced with the current pending Brexit immigration policy. Reports suggest that between 12.3% and 23.7% of the UK hospitality sector workforce is currently made up of EU nationals. If the current proposed migration policy remains post-Brexit and existing EU nationals are not required to leave, it is estimated that the hospitality sector will still face a recruitment shortfall of upwards of 60,000 per annum from 2019. In the recent UK Government’s White Paper on migration, there is no recognition that the Hospitality and Tourism Sector in Scotland needs continued access to EU workers. The White Paper confirms that free movement will end and workers of all nationalities will have to apply through the current points based system, which will effectively exclude non-skilled workers. We recognise the Scottish Government has taken a different view and recognises there needs to be a different approach taken and proposes a points based system criteria agreed with employers to match requirements of the Scottish labour market.

TRADE ISSUES - Business Rates

There still remains a fundamental flaw with the outmoded system of valuing hospitality and licensed trade businesses. The Barclay Review itself describes the valuation system for hospitality businesses as being ‘reliant on obtaining turnover information in the first instance. The turnover is then used to inform the valuation – with ratios used to convert turnover into imputed rental values. The system also makes use of inadequate and unrepresentative ‘rental evidence’; calculates ‘hypothetical achievable turnover’ to arrive at rental values regardless of whether actual turnover figures are available; and allows for interpretation on matters such as location, quality and management by individual assessors who may have little or no knowledge of the hospitality industry.

There is also further evidence to support the assertion that hospitality businesses pay a higher level of rates than other business sectors.

The Scottish Licensed Trade Association carried out an exercise on rateable values for premises on the north side of West Maitland Street in the Haymarket area of Edinburgh which consists of 1 Public House, 2 Restaurants, 1 small Off-Sales, 2 Bookmakers Shops and 6 non-licensed premises – 12 premises in total.

Our findings were simply shocking. The two Bookmakers Shops and six non-licensed premises rateable value increases fall between 11.4% and 12.2%. The two Restaurants and the Public House rateable value increases fall between 29.5% and 111.5%.

Unless there is an equally applied commercial rating system for all types of businesses, Scotland's hospitality industry is bearing an over-proportionate share of the commercial rates burden.

TRADE ISSUES – Transient Visitor Levy and VAT in the Hospitality Sector

While a tourism tax/visitor levy may work well for tourism businesses, destinations and local authorities in other global destinations where the level of VAT on tourism services is lower than that of the UK, the idea must be examined within the context of: the UK having the second highest VAT rate in Europe at 20% and only one of three countries which does not have a reduced rate for accommodation; the challenges which exist to the imposition of an additional tax; the impact on price-sensitive visitors and indeed the impact on businesses already coping with the 'perfect storm' of rising costs that tourism businesses in Scotland currently face.

The UK is second from bottom in the World Economic Forum ranking, 135/136, when measured solely on international tourism price-competitiveness; this is in stark contrast to its overall ranking of 5th in the world when the full range of international tourism indicators are included. This underlines that the introduction of a tourism tax or any such visitor levy would further reduce the competitiveness of our already heavily taxed sector relative to competitor destinations.

Any new tax on tourists or the businesses serving them could ultimately have a potentially devastating long-term impact on Scotland's tourism industry and local economies which could lead to potential job losses. It would also, in our opinion, negatively impact businesses, beyond the accommodation sector that would be expected to collect any tourist tax, that rely on the tourism economy by reducing visitor spending right across the industry; in pubs, restaurants, shops, cafes, visitor attractions and entertainment venues.

It should also not be ignored that tourism businesses already contribute significantly towards enabling public sector spending through high levels of business rates with many also contributing to local Business Improvement Districts which invest in the destination.

In summing up, the Scottish Licensed Trade Association's view on the introduction of a Transient Visitor Levy is simply that an additional revenue stream for local councils will be created to raise revenue, for purposes other than it would seemingly be intended for. Tourism is one of Scotland's growth industries and does not need any obstacles if it is to deliver further job creation, economic growth and contribute to many of the campaigns promoting Scotland as a major tourist destination. A TVL should not be focused solely on accommodation providers unless mitigated by a reduction in VAT levels for accommodation and a reduction in overall business rates.

It is rather ironic that the Scottish Government has now allowed a Transient Visitor Levy to be imposed which, in our view, conflicts with the Government's longstanding commitment to reduce Airport Departure Tax by 50 per cent to help tourism and business in general.

This development only strengthens the need for the Scottish/UK Governments to introduce a reduced VAT rate for the accommodation sector at least. The SLTA attend the launch of a campaign, with our sister organisation, Hospitality Ulster, calling for a VAT reduction for the tourism sector in Northern Ireland. Papers attached highlight a case study in the Republic of Ireland demonstrating the benefits of a reduced VAT level for the tourism sector.

TRADE ISSUES – Deposit Return Scheme

The SLTA suggests that an exemption should be in place for venues that have a "non-conventional retail transaction" in terms of day to day operations, such as Pubs, Bars and Hotels. There are a number of reasons for this and the hospitality sector, where customers are consuming drinks on licensed premises and who are in effect being "loaned" drinks containers, needs to be looked at separately. We strongly suggest that the hospitality sector is exempted from imposing a deposit charge on products sold for consumption on the premises and not intended to leave the premises. A closed loop DRS within the premises makes more sense with the business still paying a deposit to the supplier and the deposits returned centrally. In addition there are operational concerns and health and safety issues, particularly in a busy service setting. It is also best practice within the industry to keep tables and bars relatively clear from glass bottles and regular collection is the normal practice. However, if a DRS charge was required then confrontational issues could arise when staff try to clear tables.

The SLTA would advocate that a single UK wide DRS should be the preferred option to avoid confusion and extra costs for business who operate throughout the UK. If other countries within the UK introduce DRS schemes and they are different this will cause even more confusion and extra costs.

TRADE ISSUES – Personal Licence Holder Training

Recently published figures show that across a sample of 12 Licensing Boards only 4 per cent of applications had been received. In Glasgow the percentage shortfall stood at almost 98 per cent. This may have crept up over the past few weeks with large operators lodging batches of renewals but an influx of last minute applications will pose a huge administrative burden on already stretched Licensing Board staff.

This is all too familiar to the crisis in 2009 when the Government had to put in place emergency regulations to allow premises to operate for a limited period on the basis of a "deemed personal licence". It had become apparent that Licensing Board's simply wouldn't be able to process personal licence applications in time, leaving premises on 1 Sept 2009 without premises managers and unable to trade.

These figures indicate that history could be repeating itself but the Scottish Government has repeatedly warned that the 31 August expiry date this year is set in stone. It will not be extended; and even where a renewal application is lodged by 31 May, a licence will still lapse if the Licensing Board is unable to process it timeously.

TRADE ISSUES – Out of Home Food Controls - Obesity.

The proposed plans have raised concerns with the licensed trade and other small businesses.

The new proposals could be challenging and costly to implement and proposals for a scheme for out of home eateries including calorie labelling, portion size and calorie capping could be extremely problematic. Whilst we can all agree that food outlets should be looking to use healthier and nutritious ingredients we also have to be mindful of the practicalities. It would be very difficult for outlets to list ingredients, nutritional information and the number of calories on menus and also control calorie capping.