

THE IMPACT OF CORONAVIRUS ON BUSINESSES AND WORKERS

Response from the Ornamental Aquatic Trade Association, UK to the Business, Energy and Industrial Strategy Parliamentary Committee Inquiry

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The Ornamental Aquatic Trade Association (OATA) represents over 850 UK businesses spanning the entire home aquarium and garden pond supply chains from livestock importers, wholesalers, breeders, growers, retailers, dry goods manufacturers, and pond and aquarium consultants. Many member businesses are micro-businesses or SMEs.

Our industry depends upon supply chains based on the global movement of a wide range of aquatic species, including fish, corals and aquarium plants, their subsequent sale and the import of goods for the manufacture and sale of ancillary products. Prior to the COVID-19 pandemic and lockdown measures, our industry contributed an estimated £400 million per year to the UK economy and employed around 12,000 people.

Although our membership includes pet shops, listed as an 'essential retailer' by the Cabinet Office, the resultant downturn in our industry due to coronavirus has meant many of our member businesses (retailers, wholesalers, importers and more) have had to significantly reduce their operations. Large numbers of staff in the industry have been furloughed, coinciding with when many businesses would have entered their peak trading and revenue generating period (April to June).

Coronavirus impacts on our industry are profound and potentially damaging to the long-term survival of our industry, which will worsen if it does not receive additional Government assistance beyond the financial support packages already announced. We outline below the impacts on our members and possible mitigating measures.

1. UK Government guidance lacks clarity and guiding principles for interpretation by affected sectors

Case example: Whether furloughed pet industry staff are permitted to volunteer to provide essential animal care for their employer, where it would avoid adverse impacts on animal welfare

Businesses operating in the supply and sale of ornamental aquatic animals have continual legal obligations to meet animal welfare needs. Such obligations are fulfilled by a skilled, knowledgeable workforce providing species-specific care. Many such staff are currently furloughed as lockdown measures contract our industry, resulting in aquatic wholesalers and retailers operating with skeleton staff or with a sole owner, to provide animal care to hundreds of tanks containing possibly thousands of fish. Such provision is a 24/7 commitment necessitating daily checks and maintenance e.g. ensuring water quality (paramount to fish health) and feeding. Operating under these circumstances takes its toll on remaining staff, particularly those retailers who may also be maintaining a level of sales service to customers, placing significant burdens both day-to-day and especially in the event of someone having to self-isolate.

Current Government advice states “A furloughed employee can take part in volunteer work, if it does not provide services to or generate revenue for, or on behalf of the organisation that they are normally employed by”. This makes no provision for permissible exceptions where mitigating circumstances exist such as those we highlight above and thus we have no clarity as to whether a furloughed worker could volunteer *ad hoc* to provide such care where it is necessary to prevent detrimental impacts on essential animal care/welfare.

- **We request special exceptions for pet businesses, enabling furloughed workers to volunteer to provide essential animal welfare, where not to do so would compromise animal welfare, without risk of being penalised and exempted from the furlough scheme.**

The likely phased re-opening of retail sectors may result in supply chains resuming on a pro-rata basis, with staff working hours requiring *ad hoc* flexibility e.g. more staff required on busy delivery days and less staff required at quieter times.

- **We urge Government to consider that a “one size fits all approach” will not be suitable and must be tailored, affording flexibility to the needs of individual sectors.**

Case example: Government guidance needed on interpretation by relevant sectors as to what is considered ‘essential supplies’ and workers considered “tradespeople”

Without guiding principles on how such definitions are to be interpreted by each relevant sector, we have been unable to provide definitive advice, reliant on our best interpretation. However, Scottish guidance is much clearer, e.g. outlining those workers considered “tradespeople” and thus permitted to continue visiting customer households to carry out works.

We note the advice issued jointly by the Health and Safety Executive (HSE), TUC and CBI stating “Firms that can safely stay open and support livelihoods should not be forced to close by misunderstandings about government guidance”. Also, “With the exception of some non-essential shops and public venues, we are not asking any other businesses to close” (HSE). Our industry would have entered its main annual revenue generating period, with the pond and aquarium maintenance sector travelling to people’s homes to undertake clearing and pond maintenance works. Work of this nature can be undertaken safely and as agreed with the client in accordance with social distancing rules. However, such contractors may be prevented from undertaking such works if they are not deemed as undertaking “essential” travel to get to their client’s house. We have therefore interpreted the aforementioned HSE *et al.* advice as meaning businesses in this sector can continue to operate, subject to adherence with social distancing guidelines.

- **We request Government clarification that, excepting those specified non-essential shops and public venues, all businesses and tradespeople that cannot work from home are permitted to remain open. Thus provide services (including where that requires travel to a client’s home or business), even if that work may not be deemed ‘essential’ according to Cabinet Office guidelines.**

2. Acute economic downturn impacts to industry and long-term implications for its capacity to survive a prolonged period of economic hardship

Case example: The immediate and long-term ramifications of ornamental aquatic supply chains fragmenting and collapsing

Industry livelihoods - those immediately within, ancillary to and supported by (such as those in developing countries without the societal safety nets occurring in Western economies) - are dependent upon the continual movement of ornamental aquatic animals, plants and associated goods through national and international supply chains. The acute impacts of coronavirus on the aviation industry has led to our supply chains fragmenting as imports cease and the ripple effect on ancillary supply chains e.g. logistics and packaging. This has resulted in supply chain links collapsing through reduced operations and significant sales revenue declines (>80% for retail of ornamental aquatic animals). Such impacts have been acutely damaging, with further impacts anticipated arising from forecasted increases in air freight costs due to reduced flights in the longer-term. The necessary recovery contingency planning on how our industry resumes contributing again to the UK economy is dependent on the UK Government's lockdown exit strategy and its plans to kickstart and sustain the economy.

- **We urge the Government to consider measures ensuring international freight transport resumes as soon as practicable and, in doing so, ensures smaller industries, such as ours, which rely on international supply chains for their goods are not disproportionately disadvantaged due to increased air freight costs/surcharges and a lack of access to freight space.**

Case example: Post COVID-19 financial recessions and austerity measures – negative impacts to our industry and its landscape

Supply chain fragmentation and the prospect of many businesses failing, raises significant risks in relation to those aquatic species (e.g. fish) that remain stocked in retailers, wholesalers and breeding facilities. If they cannot be sold on, there could be a potential need to euthanise large quantities of animals. The majority of ornamental fish are imported into the UK (presently close to, if not zero imports). Although a number of UK producers, mainly breeders and growers of coldwater pond fish, work all year round to generate their revenue within a three month time window which we are currently in the midst of. Such sales are based on smaller fish, and businesses spend considerable resources (time, money and effort) on preparing for this main annual revenue generating period. If these fish cannot be sold on at the current time, the profit generated reduces significantly due to low demand for larger fish and thus creates a negative feedback cycle resulting in substantial financial losses.

Fears of economic hardship resultant from a severe post COVID-19 global recession will reverberate on our industry for many years. It is likely to curtail spending by the public, given concerns in relation to employment, increased interest rates and payment of mortgages, rents, loans etc. Such impacts will stall our industry and risk activities like fishkeeping and pet keeping in general, suffering as people tighten their purse strings, leading to potential abandonment and rehoming issues.

- **We urge early steps are taken to reopen the domestic market to facilitate continued sale of existing stocks.**

Cashflow issues will impact our industry in the short, medium and long-term, despite the current financial assistance offered by Government. We note with much concern, that some of our members are likely to fall through the safety net. Coronavirus Business Interruption Loans and other bank loans will not be a viable option for some businesses due to interest rates (ranging between 12 to 20%), repayment costs and security required by banks (such as a company's assets). This will be particularly true for those businesses who do not qualify for Local Authority grants but are not large enough to sustain bank loan repayment costs. Our self-employed members must wait until June to

receive financial assistance but such members who are registered Company Directors/Partners will not be eligible for any such assistance.

There will also be businesses who have entered the current crisis owing monies to their suppliers or who may decide to rely on the goodwill of supplier's credit, in lieu of bank loans. Before supply chains can attempt to resume, such monies will need to be paid and indeed some suppliers are already enforcing a pro-forma stance thus raising concerns with liquidity in the medium and longer term.

- **We ask Government to request banks to reduce their repayment interest rates, such as the 12-20% charged on loans afforded under the Coronavirus Business Interruption Loan scheme, to more affordable levels.**
- **Greater financial assistance from Government in relation to rents and business rates would be welcomed, e.g. for eligible properties valued at over £51k and those with significant overheads to meet animal welfare needs. We note Scotland has legislated for a 1.6% business rate decrease for non-domestic buildings and we ask for such an approach to be extended to the rest of the UK.**
- **Easing loan schemes by making it easier for businesses to access funds post lockdown measures would assist in preventing businesses from having to close in the long-term.**

We raise concerns about potential increases in trade tariffs and import duty at a time when the lowering of tariffs, simplifying trade tariffs and import duty "payment holidays" would result in positive outcomes to our industry. As would a moratorium on increases of animal and plant health inspection fees at the border. We are also aware that some airline ground handling agents have introduced a "COVID-19 surcharge" affecting and increasing import/export costs on all shipments arriving at Heathrow and Manchester airports. Such increases are being passed along the supply chain and it is currently unknown whether such charges are temporary or long-term.

- **We urge the Government to maintain or lower tariffs on imports and exports and consider a duty "payment holiday" or setting duty to 0% for a period of one year to facilitate businesses being able to contribute to the economy and offset airline imposed surcharges.**
- **We urge the Government not to increase fees (or consider lowering them) for one year for services such as plant and animal health and welfare inspections.**

3. The need for UK Government to commit to more wide-ranging financial and practical assistance to allow our industry to continue, adapt and survive and thus continue contributing to the UK economy

Case example: Provision to assist businesses in adapting their business models to afford business continuity whilst protecting public health

It is likely the UK will continue with some form of restrictions in place until effective treatment regimes/vaccines for COVID-19 are found. Although pet shops are considered "essential retailers", there are other retail outlets currently not considered "essential" but whose services would be beneficial for activities, promoting physical and mental wellbeing, that could be safely done at home. Notable examples of such activities which may alleviate domestic pressures caused by prolonged waves of lockdown measures and the resultant loss of connection to nature, are fishkeeping and

gardening. Many of our members depend upon the continual import, provision and sale of livestock and plants and members of the public are likely to wish to make such purchases to benefit their wellbeing.

- **We urge Government to consider measures to re-open markets and provide businesses with guidance and assistance on how they can import and trade in a manner which safeguards and protects public health.**

Our membership includes traditional, high street “bricks and mortar” pet shops whose business models are based on direct interactions with their customers rather than online interactions. As such, they do not have the required infrastructure to facilitate a transition to be able to supplement their trading activity by selling online.

Ornamental fish sold by distance selling methods can only be transported by one authorised livestock carrier and as e-commerce (who have no restrictions on selling “non-essential” items) see their sales significantly increase, such carriers will alter their business models to capitalise on such revenue streams to the detriment of “bricks and mortar” businesses.

- **We would welcome a Government initiative to afford such businesses the necessary support to adapt their business models to prevent inequality in the COVID-19 retail landscape. This could be in the form of grants for eligible businesses for web development, software and training capacity**

Case example: The need for Government schemes to provide supplementary financial assistance to the ornamental aquatic industry with regard to fixed costs overheads and scrappage schemes

The Government suite of current financial support does not provide an effective safety net for all businesses. In the aquatic animal retail sector alone, an estimated 1700 retailers (not including business types with similar overheads such as wholesalers and breeders) stock aquatic animals and whose welfare is dependent upon continual care and management of their aquatic environment. Critical to this is the consumption of utilities such as water and electricity to maintain water quality (crucial to fish health). Aquatic businesses cannot just ‘switch off the lights for the duration’, their tanks must be kept running 24/7 to ensure continued animal health and welfare. As such, businesses must continue to pay overheads such as electricity. For these estimated 1700 shops, retailers face estimated electricity costs of £850k to £2m per month, whilst wholesalers and breeders individually face significant electricity costs in excess of £15,000 per month, in addition to other (non-wage) overheads between £20,000 to £25,000 per month. For eligible businesses, the Small Business Grants Fund cannot cover such costs. Others, who will depend upon the Coronavirus Business Interruption Loans, are deeply concerned about incurring substantial debts and being disconnected if they cannot meet their payments. We have raised this with BEIS, OFGEM and OFWAT and were advised that no support schemes are available which could assist. We believe that the provision of such a support scheme is essential to our industry.

- **We urge Government to consider a scheme, equivalent to the £10m support package announced for fishing and aquaculture businesses (which excludes our industry), to assist eligible businesses with their fixed costs for up to three months to ensure essential animal health/welfare is maintained.**

Our ornamental aquatic plant wholesaler and grower members main annual revenue is generated during their peak trading season (April to June). Those trading in pond plants have been affected by

the closure of garden centres and as lockdown measures continue, the likelihood is they will have large volumes of plants which they are unable to sell.

- **We add our voice to calls from the Horticultural Trades Association for Government financial assistance in relation to a plant scrapping scheme to assist affected businesses.**

Some of our members are involved in the manufacture, distribution and sale of barley straw extract products. The peak of such garden pond sales is around now. Biocide authorisation for barley straw extract was rescinded last year, with the HSE permitting a grace period to several affected manufacturers to allow them to move such products through the supply chain so that they could return to compliance. All such sales are permitted until August 2020 with no prospect of an extension despite the current crisis.

- **Affected businesses are facing large disposal costs for such products once the grace period ends, we request financial assistance for businesses to meet such costs.**

4. The compounding impacts of coronavirus and Brexit on recovery of the industry

Whilst we are grateful for the package of financial support already announced by the Government in response to coronavirus, we are deeply concerned about the economic impacts of coronavirus on our industry and its ability to recover. This is compounded by the process of exit from the EU and fears that in the current circumstances any trade deal may be made without full consideration of the ramifications to UK businesses.

- **We urge Government to assuage industry concerns by providing detailed guidelines on how they will implement their lockdown exit strategy once the “Five Tests” are met and current restrictions can begin to be gradually eased, including with reference to the pet sector and the need to ensure they (and pet keepers) can continue to provide for essential animal health and welfare needs.**