

COVID-19 – impact on Scotland’s businesses, workers and the economy

Response from the Ornamental Aquatic Trade Association, UK to the Economy, Energy and Fair Work Committee Inquiry

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Written submission from Dominic Whitmee, Chief Executive of the Ornamental Aquatic Trade Association

dominic@ornamentalfish.org

Wessex House, 40 Station Road, Westbury, Wiltshire, BA13 3JN

www.ornamentalfish.org

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’, 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 assistance beyond the financial support packages already announced. We outline below the impacts on our members and possible mitigating measures.

1. Guidance to business 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 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 the Scottish 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.**

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

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 the UK and Scottish Governments. We welcome the new Bounce Back loans for small businesses but we remain concerned for our self-employed members who must wait until June to receive financial assistance and our 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.

- **Greater financial assistance 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 welcome this.**
- **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.**

3. The need for Scottish 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

We welcome the Scottish Government's 4 Rs approach – Response, Reset, Restart & Recovery. With the likelihood of some form of restriction to remain in place for months to come this approach will be much needed. 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 the Scottish 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 Scottish 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 Scottish Government schemes to provide supplementary financial assistance to the ornamental aquatic industry with regard to fixed costs overheads and scrappage schemes

The current suite of financial support does not provide an effective safety net for all businesses. In the aquatic animal retail sector alone, an estimated UK 1,700 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 1,700 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 the UK Government, 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 the Scottish Government to consider a scheme, equivalent to the 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 scrappage 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 UK & Scottish Governments 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 the Scottish 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.**