Chamber Network Briefing on the Forthcoming UK Budget

SCC's key recommendations are

- ***A 6 month holiday for Employers' National Insurance Contributions, commencing on 22 April 2009.***
- ***A commitment by Government not to raise the levels of Employers NICs in 2011.***
- ***A temporary zero rating of VAT for building repairs and improvements.***
- ***The UK Government should simplify the process for R&D Tax Credits and al least match the fiscal incentives provided by the French video games industry for its developers.***
- ***The Government should provide clear information to banks and businesses about the steps it has taken to encourage sensible lending patterns.***
- ***The Scottish and UK Governments must urgently resolve the future funding arrangements for the new Forth Bridge. Guarantees must be given that construction will be complete by 2016 at the latest.***
- ***Government must set an ambitious target for the number of SMEs winning public sector contracts and regularly publish the progress that is being made towards this target.***
- ***The UK Government and Scottish Government must meet to discuss joint plans for the development of a High Speed Rail link between Scotland and London.***
- ***The Secretary of State for Scotland should feed back to Inverness Chamber of Commerce following his visit to Inverness.***
- ***The Chancellor should refrain from adding to the fiscal burden on the Oil and Gas Sector in the Budget and more must be done to ensure the longevity of oil and gas production in the UK Continental Shelf area.***
- ***The House of Commons Scottish Affairs Committee should initiate a mapping exercise comparing the availability of Skills programmes and funding in Scotland and in England.***
- ***The UK Government should be clear as to which of its initiatives apply in Scotland and which do not and target information provision accordingly.***
- ***Government must recognise the direct and indirect burden of pensions on Scottish business, particularly in today's challenging economic climate.***
- ***The UK Government must invest further in UKTI in order to facilitate the greater internationalisation of Scottish businesses.***

Briefing for the Secretary of State for Scotland

Issues arising from meeting with Scottish Chambers of Commerce, 9 March 2009

Introduction

Representatives of Scottish Chambers of Commerce and nine local Chambers of Commerce across the network met with the Secretary of State on 9 March 2009 to discuss key issues affecting businesses in Scotland. Those present formed a cross section of the Scottish business community.

Scottish Chambers of Commerce is the umbrella organisation for 20 local Chambers of Commerce across the length and breadth of Scotland, covering city, urban and rural areas. In total, Chamber membership comprises in excess of 9,000 businesses of all sizes, from sole traders to large multinationals, and drawn from across all sectors. With a network of Chamber of Commerce offices in towns and cities across Scotland, SCC is the ultimate business network.

Attendees

The Rt Hon Jim Murphy MP	Secretary of State for Scotland
Ruth Wilson	Private Secretary
Tom Greatrex	Special Advisor
Norman Quirk	Chairman, Scottish Chambers of Commerce
Nora Senior	Vice Chair, Scottish Chambers of Commerce
Bill McIntosh	Vice Chair, Scottish Chambers of Commerce
Liz Cameron	Chief Executive, Scottish Chambers of Commerce
Garry Clark	Head of Policy and Public Affairs, Scottish Chambers of Commerce
Geoff Runcie	Chief Executive, Aberdeen & Grampian Chamber of Commerce
Zoe Tait	Business Development Manager, Dundee & Angus Chamber of Commerce
Alan Russell	Chief Executive, Fife Chamber of Commerce
Brian Sherret	Managing Director, GHRL
Claire Dunning	President, Glasgow Chamber of Commerce
James Andrew	Deputy President, Glasgow Chamber of Commerce
David Ross	Glasgow Chamber of Commerce
Nick Quinn	Director, Greenock Chamber of Commerce
Hugh Bunten	Executive Administrator, Greenock Chamber of Commerce
Stewart Nicol	Chief Executive, Inverness Chamber of Commerce
Maurie Logie	President, Lanarkshire Chamber of Commerce
Douglas Millar	Chief Executive, Lanarkshire Chamber of Commerce
John Brown	Chief Executive, Life Skills
Candy Munro	Chief Executive, Renfrewshire Chamber of Commerce
Tom Johnston	President, Renfrewshire Chamber of Commerce
Brian Wilson	Vice President, West Lothian Chamber of Commerce

Key Issues

A number of key issues were raised with the Secretary of State at the meeting and others have been contributed from the network subsequently. These issues are:

National Insurance Contributions

We believe that a holiday from Employers' National Insurance Contributions for a period of 6 months this year would have a dual benefit for the economy as it would help reduce business costs and help retain jobs and skills within Scotland. Clearly such a move would require significant additional spending – approximately £25 billion – but would be of direct benefit to businesses and secure employment through a challenging economic period. In any event, the Government's plans to raise the levels of Employers' National Insurance Contributions in 2011 must now be abandoned, since it is clear that many Scottish businesses will still be experiencing the effects of the downturn at that time.

SCC recommends:
A 6 month holiday for Employers' National Insurance Contributions, commencing on 22 April 2009.
A commitment by Government not to raise the levels of Employers NICs in 2011.

VAT reductions on repairs and improvements

The general reduction in the rate of Value Added Tax announced in the Pre-Budget Report has had a negligible effect on the competitiveness of Scottish business. However the manipulation of VAT rates could make a significant impact if applied more narrowly. For example a temporary zero rating of VAT for home repairs and improvements could trigger spending in the construction sector where many businesses have struggled for over a year and could also have the associated benefit of encouraging spending on energy efficient products, helping the Government to meet environmental targets for carbon reduction.

SCC Recommends:
A temporary zero rating of VAT for building repairs and improvements.

Tax breaks for Games Industry

The UK video games industry employs 30,000 people and is worth £1 billion per year to our economy. A disproportionate percentage of this is due to the work of a cluster of highly innovative Scottish firms, which have produced a number of the highest selling entertainment products in the world over recent years. However the UK is falling behind other countries in the level of support available to software developers and this needs to be rectified if future investment and growth in the industry is to be maximised. We are calling for a simplification of R&D tax credits for the industry that better reflects their typical spending profile and a 20% tax credit on development similar to that enjoyed by the French games industry.

SCC recommends:
The UK Government should simplify the process for R&D Tax Credits and al least match the fiscal incentives provided by the French video games industry for its developers.

Access to Credit – Airdrie Savings Bank

Business cashflow and the availability of credit remain key concerns. The UK Government have carried out extensive and necessary investment in order to restore liquidity to the British banking system and has announced a series of guarantees and funding packages designed to kick start lending to business and domestic customers. However many businesses continue to report difficulty in obtaining finance and are still experiencing high loan and overdraft charges. There requires to be greater transparency and information surrounding Government deals with the banks, and indeed a greater level of communication between Government and the banks themselves. Lanarkshire Chamber of Commerce have provided evidence to the Secretary of State that the Airdrie Savings Bank has not yet received sufficient information regarding the Government's policy. In a recent Chambers of Commerce poll of 250 companies across the UK, 90 per cent of businesses were unaware that their bank offered or utilised the government's Enterprise Finance Guarantee scheme. Just one firm reported being offered a loan based on the government's flagship scheme.

SCC recommends:
The Government should provide clear information to banks and businesses about the steps it has taken to encourage sensible lending patterns.

Forth Road Bridge

The construction of a new Forth Road Bridge is the single most urgent road transport priority in Scotland. The Scottish Government has made a commitment to its construction by 2016, but issues over the funding of the project have not yet been resolved. The new Forth Road Bridge is too important a matter to be subject to delay or political manoevering. It is an economic imperative and we urge the UK and Scottish Governments to continue their dialogue and work together to ensure the delivery of this project.

SCC recommends:
The Scottish and UK Governments must urgently resolve the future funding arrangements for the new Forth Bridge. Guarantees must be given that construction will be complete by 2016 at the latest.

Procurement

Despite the efforts of the Scottish and UK Governments, many small and medium sized businesses continue to report difficulties in accessing public procurement opportunities. In particular, many contracts are structured in such a way as to favour large contracts delivered centrally, resulting in a number of existing smaller contractors losing out to larger bidders.

SCC recommends:
Government must set an ambitious target for the number of SMEs winning public sector contracts and regularly publish the progress that is being made towards this target.

High Speed Rail

Scottish Chambers of Commerce are seeking a clear commitment from Government to the construction of a High Speed Rail link between London and Scotland. The precise route remains to be determined but construction should commence simultaneously at each end in order to guarantee that Scotland will benefit. Independent estimates suggest that the Scottish economy would be boosted by up to £7 billion as a result of HSR.

SCC recommends:
The UK Government and Scottish Government must meet to discuss joint plans for the development of a High Speed Rail link between Scotland and London.

Investment in the North

Scotland's economic and geographic diversity means that investment needs to be targeted at all parts of the country, with Inverness and the North requiring appropriate consideration. It was noted that the Secretary of State would shortly be visiting Inverness and we would be interested in hearing of the outcome of this visit.

SCC recommends:
The Secretary of State for Scotland should feed back to Inverness Chamber of Commerce following his visit to Inverness.

Oil and Gas

Businesses operating in the North Sea oil and gas industry are among the most highly taxed in the country, thanks to the application by the UK Government of Supplementary Corporation Tax on UK oil and gas producers. The Government must not add further to this burden through further tax increases for this key industry. The fiscal regime in the North Sea must be geared towards sustaining oil and gas industry investment in the UK Continental Shelf and maximising production over as long a timescale as possible. This is essential not only for Scotland's economic prosperity but also in order to preserve the security of our energy supplies against the background of volatile global security and exchange rates.

The oil and gas industry may scale back in 2010 and there is a need to stimulate the industry in order to retain jobs and expertise. This is the largest investing industry in the UK.

SCC recommends:
The Chancellor should refrain from adding to the fiscal burden on the Oil and Gas Sector in the Budget and more must be done to ensure the longevity of oil and gas production in the UK Continental Shelf area.

Skills and Training

How do we encourage Scottish employers and employees to participate in recognised skills events like Euro Skills, World Skills and National VQ Day which can be perceived as Anglocentric? Also, in today's current economic climate how do we convince employers of the benefits of these initiatives both to themselves and to their employees and any financial assistance available – raising skills levels, motivation, competitive edge, self and company marketing and promotion, helping to raise awareness of vocational skills and bridging the vocational/academic divide, sharing and gaining good practice, European mobility etc?

How do we encourage employers and employees to see training and upskilling as vital in light of current recession affecting employers, redundancies, short time working etc to ensure that when the market does pick up employers have a fully trained and skilled workforce to take advantage of the market and not be disadvantaged by lack of skills and knowledge?

In light of comments from Scottish employers on Train to Gain initiatives in England how do we deal with some employers perceptions that the level of training and support available is higher, more flexible and more tailored to individual employer need? Perhaps some sort of mapping or comparison of what is available in Scotland compared to rest of UK would be helpful to employers and others and allow them to make best use of current assistance and support. This would also help with some UK announcements on training, apprenticeships etc where the headline figures do not always apply in Scotland in the same form or neat package, which can have some negative impacts in Scotland when employers are told that they do not apply here – we need to show what is available, be able to justify any differences and have better "packaging" information from the relevant agencies for Scottish employers.

SCC recommends:
The House of Commons Scottish Affairs Committee should initiate a mapping exercise comparing the availability of Skills programmes and funding in Scotland and in England.
The UK Government should be clear as to which of its initiatives apply in Scotland and which do not and target information provision accordingly.

Pensions

Businesses are concerned about pension schemes on two fronts - the private sector is having to cut back on its schemes, with final salary schemes largely being phased out. However liabilities remain for previous schemes and the current stock market levels are leading to pension scheme shortfalls. In addition, business taxes are being used to help meet pension commitments in the public sector.

SCC recommends:
Government must recognise the direct and indirect burden of pensions on Scottish business, particularly in today's challenging economic climate.

UKTI Budgets

UK Trade and Investment budgets are too small for many businesses working overseas, eg in the oil and gas industry - this is a major weakness for British businesses looking to internationalise.

SCC recommends:
The UK Government must invest further in UKTI in order to facilitate the greater internationalisation of Scottish businesses.