

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

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

SUBMISSION FROM

Scottish Stone Group

April 2020

Background

The Scottish Stone Group is a co-operative and was established in 2016 by several of Scotland’s leading businesses in the stone sector. We formed the Scottish Stone Group to promote the use of indigenous natural stone and grow the industry, creating more jobs and apprenticeships in Scotland as well as promoting an important environmentally sustainable material. A summary of the sector can be found at the end of this submission.

We have been working with Historic Environment Scotland and Scottish Enterprise to make the Scottish Stone Group an industry-wide trade organisation.

COVID-19

We appreciate that we are in unprecedented times and that the health emergency to contain and stop the spread of COVID-19 is of paramount importance.

As an industry, we are following Scottish Government advice and ensuring our staff and teams' wellbeing is the priority and doing all we can to stop the spread of COVID-19.

This note is not intended to criticise national or local government but to give an insight of the struggles of the local stone industry as a result of the COVID-19 pandemic, which will no doubt be reflected by many other small and medium sized businesses in the manufacturing industry.

1. Grant support

Our members do not fit any of the grant assistance from the UK Government or the Scottish Government. We do not qualify for Small Business Relief or Rural Relief so therefore there is no opportunity to take advantage of any grants.

We are large employers in rural areas, crucial to the economy in those areas. We would urgently ask the Scottish Government to consider bringing in support mechanisms and/or lobby the UK Government to do so.

We are rural businesses and this is a gap that needs to be addressed otherwise Scottish rural manufacturing business will disproportionately be impacted by the pandemic.

2. One clear message

As you will appreciate, the construction industry is receiving different messages from the UK and Scottish Governments regarding the status of the construction sector and, as companies who supply UK-wide and are Scottish based, we are being caught in the middle.

One of our members has an example of taking a call from a company in North Yorkshire desperate to source Surecav for a project but unable to do so in England. They were willing to drive to Scotland to pick it up if our Scottish member was prepared to supply it to them. The member has Surecav in stock but, in line with Scottish Government guidance, declined the opportunity.

One member works several miles from the Scottish-English border and, following Scottish Government advice, has ceased all operations while competitors/sites are still active just south of the Border and within several miles of the business. It is a very confused message with Westminster writing open letters to Construction UK congratulating them on staying open and we in Scotland are closed. Scottish firms are losing hard won English customers to suppliers in England that are still operating with little regard to whether they should be or should be social distancing and minimising contact and shutting down.

A unified stance is critical.

We need to see clear, consistent advice from both the UK and Scottish Government to ensure that the industry works in tandem with government advice.

3. Bank Support

We are getting numerous examples of banks not supporting business even with the Government Loan Scheme.

One member approached their bank regarding the Government Loan Scheme but was informed that the business would not qualify as it is too strong, but the bank would assist internally going forward if required. We ask at what point does a business become weak enough to qualify for the scheme?

We have heard of businesses being offered 10% above the base rate and a business being told that if it applied for the Government Loan Scheme then the bank would look less favourably on the rate they would offer once the twelve months were up.

To put it bluntly, the banks are not coming to the table and the risk is, as always, all placed on the business. The banks are applying an absolute risk averse criteria to a situation or extreme and special circumstance. SMEs in normal times have to live with risk day in, day out. We ask that the banks be more proactive and be part of the solution otherwise SMEs have no choice but to downsize rapidly leaving the burden of unemployment elsewhere and will mean that the banks will have very few customers to lend to in the long term. This must be a joint effort from banks and businesses.

The Scottish Government and UK Government need to be clear to the banks of their role in supporting SMEs. There needs to be strong, clear and consistent leadership.

4. Impact on Scottish Economy

If the stone industry in Scotland disappears or is critically reduced, this will have a large long term impact on:

- Economy - we create skilled manufacturing jobs and apprenticeships. The sector is small and has, before the COVID-19 pandemic, opportunities to grow a stronger home market as 90% of stone is currently imported from China, India and other international markets.
- Rural Economy - we are sometimes the largest employer in a local rural area and will have a devastating impact on particular local economies if businesses can not continue after the COVID-19 pandemic.
- Climate Change targets - natural stone is one of the most environmentally friendly products in terms of carbon footprint compared to manmade materials, reconstituted stone and other natural materials such as wood.
- Heritage - the conservation of our buildings and having a vibrant stone processing industry in preserving the historic built heritage.

5. Opportunities/Support

We welcome the procurement guidance recently issued by the Scottish Government in relation to COVID-19 and local authorities have an opportunity to place contracts with local suppliers of stone now that will:

- Support local rural businesses - ensuring there are orders for the business going forward and giving certainty of work.
- Known/close supply chain - there will be minimal distance for the materials to site and not depend on international markets meaning that the stone can be guaranteed and delivered promptly
- Environment - locally sourced stone helps the circular economy.

The updated advice to Public Procurement states that local authorities should be ordering early and paying quickly to protect their supply chain.

Local authority projects that are ready to be started should consider awarding works to local supply chain companies so that there are order books ready when the pandemic subsides and business starts to resume. We note and appreciate that local authorities are at the frontline of dealing with the pandemic.

Our members have been involved in discussions on projects such as the Broughty Ferry Flood Protection Scheme and the Hawick Scheme over several years. With projects such as these ready to be started, it is imperative for local authorities to support the local supply chain and place orders locally through the contractors to give certainty going forward and enable SMEs to position their businesses to ensure supply of the relevant materials can be delivered timeously onto site.

Furthermore, it is vital that the City Deals are not postponed/cancelled and the contracts/opportunities are available.

We would welcome the opportunity to provide further evidence to the Economy Committee as required to provide further information on the Scottish stone sector.

Thank you for the opportunity to outline some of the difficult issues facing our industry during this pandemic.

Scottish Stone Group

Founding Members:

- Tradstocks, Stirlingshire/West Lothian
- Denfind Stone, Angus
- Hutton Stone, Scottish Borders

Notes

To give a short summary of some facts and figures of the stone industry:

- Roughly 160 people currently employed in the stone quarrying and processing industry in Scotland (Source: British Geological Survey: The Building Stone Industry in Scotland: A Review (2016));
- £400m worth of stone was imported into the UK annually; if Scotland comprises roughly 10% of UK consumption that means around £40m (Source: British Geological Survey: The Building Stone Industry in Scotland: A Review (2016));
- Currently, the combined turnovers of the Scottish Stone Industry is approximately £10m.
- Scotland has more stone buildings per head than any country in the world.

- Natural stone structures are part of Scotland's national identity and demand for this signature building material is starting to grow again, not only for new buildings but also streetscaping and restoration work.
- The Scottish stone sector adheres to some of the strictest health and safety policies and we provide a high quality product. We face competition from countries which do not have the same high health and safety policies or quality assurances as we do in the UK.

The Scottish stone industry is an important sector to promote as follows:

- Economical - the stone sector is an important manufacturing industry and has the potential to create more jobs in Scotland. In time this could allow for more apprenticeships and keeps the specialised skills function of this traditional industry alive through the succession planning process;
- Good Investment – Stone lasts and should serve a purpose for hundreds of years, it is best value of any building material in terms of life cost;
- Environmental – natural stone is not made, it already exists, processing it uses minimal energy. There is a dramatic difference in the carbon footprint between our own indigenous stone and imported stone, reconstituted (manmade/lookalikes) and other building materials;
- Clear Provenance – you know where indigenous stone has come from, quality assurances and future availability;
- Social Responsibility – we are ethical, compliant employers operating within the Scottish economy;
- Built Heritage – Visitors are drawn to Scotland to admire what our forebears achieved with natural stone. A vibrant stone processing industry has a vital role in preserving the historic built heritage and making an important contribution in the construction of our future built environment.