

Environment, Food and Rural Affairs Committee

Oral evidence: Covid-19 and food supply: follow up, HC 1156

Tuesday 9 February 2021

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[Watch the meeting](#)

Members present: Neil Parish (Chair); Ian Byrne; Geraint Davies; Rosie Duffield; Barry Gardiner; Dr Neil Hudson; Robbie Moore; Mrs Sheryll Murray.

Questions 28 - 49

Witness

I: Kate Nicholls, Chief Executive, UKHospitality; Ian Wright, Chief Executive, Food and Drink Federation; James Bielby, Chief Executive, Federation of Wholesale Distributors.

Written evidence from witness:

- [Food and Drink Federation](#)
- [Federation of Wholesale Distributors](#)

Examination of Witnesses

Witnesses: Kate Nicholls, Ian Wright and James Bielby.

Q28 **Chair:** Would you like to introduce yourselves please?

Kate Nicholls: Good afternoon. Thank you for inviting me to join you today. I am Kate Nicholls, chief executive at UKHospitality, which is the national trade body representing the breadth of hospitality businesses, pubs, bars, restaurants, hotels and coffee shops.

Ian Wright: I am Ian Wright, chief executive of the Food and Drink Federation, which represents food and drink manufacturers in the UK.



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James Bielby: Good afternoon. I am James Bielby, chief executive of the Federation of Wholesale Distributors, the trade association representing the food distribution network into retail, catering and public sector.

Q29 **Chair:** Thank you all for being so patient. We will get straight on into our second panel. Your evidence is equally as valuable, so thank you very much for being in with us today. Kate, last year you told us that the hospitality sector would not recover from the first lockdown until 2022. What is your forecast now, when we are into a third lockdown?

Kate Nicholls: We have had to revise our forecasts because we have hit successive restrictions and lockdowns. In fact, our businesses did not trade without restrictions after reopening and we only had 12 weeks of minimal restrictions in place, during July and August, before we went into further strict restrictions. By the time these restrictions end on 31 March, most of our businesses will have been closed for over five months without any revenue. A significant proportion of our estate, weddings, events and the night-time economy, will have been closed for over a year.

It is probably worthwhile noting that it was this time last year that we first started to see the impact on the sector of reduced footfall and revenues. For most of our businesses, the whole of 2020 has been significantly impacted. We are now expecting recovery to be starting, in terms of rebuilding and getting back towards breakeven, but that is not a very strong recovery. If we are able to open in the spring, we would expect to get back to breakeven by the start of 2022, get back to pre-Covid levels of revenue by the end of 2022 or early 2023, and rebuild profitability from that point onwards.

It will be a long, slow recovery, unless we have additional support. If the support mechanisms are extended and remain in place to support hospitality through that restricted reopening, we anticipate that that recovery will be brought forward by nine months. It is repairing the damage that was done from revenues, balance sheets, the level of indebtedness and the level of unemployment we are seeing across the sector.

Q30 **Chair:** In the hospitality sector in particular, because of Covid and the need to restrict people going out and mixing, you have been hugely badly affected. With both wedding venues and venues generally, it will depend, when the restrictions start to be lifted, on the numbers of people who can come into premises and to events, especially to weddings, in order for the sector to open up. Without leading you too much, you are looking for it to be as soon as we are able to open up, and I imagine you would like some sort of clear direction from Government.

Kate Nicholls: Yes, absolutely. First and foremost, we need to understand that there is a clear, staged exit strategy. If we are not able to have precise dates, we need an indicative line of sight for reopening parts of the sector progressively. It is not just the date we get open that is important. For many of our businesses, you have Easter as a major



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source of revenue, if you are looking at the holiday and tourism side. It is the conditions under which they reopen. When our sector reopened with the Covid-secure restrictions, which capped capacity, occupancy and revenue, we broke even for one week during the 12 weeks we were trading between July and the middle of September, before restrictions hit again. The sector got to breakeven for only one week in 2020. Restrictions are still quite strict and will curb our ability to grow, recover and rebuild as quickly as we might like.

We also need to know not just when we reopen and the conditions for then, but what the plan is for a phased reduction, easing and exit from those restrictions. The longer the tight restrictions remain in place, the more severe the impact is, not just on our frontline businesses, but on the supply chain businesses behind them, which are struggling to gear up and operate at full capacity. There is only a relatively short period of time that businesses can sustain and maintain operating sub-economically. Our businesses have been operating in that way for the whole of 2020. We have seen £72 billion wiped off the revenues of hospitality. One in five of our businesses have sufficient cash reserves to get through to March.

We are heading towards a real crash crisis. The ability to reopen successfully will be inhibited if we have to reopen in a delayed way or with very severe restrictions.

Q31 Chair: In percentage terms on the number of businesses that are hanging in there, what is the situation with the hospitality sector? It has been very hard hit. Have there been many casualties? What is the situation?

Kate Nicholls: We have sadly seen some casualties along the way, in terms of both businesses that have gone into administration and then received investment to come out, but have been severely restricted in size, and a lot of SMEs that have closed for good. A third of the sector's businesses and premises did not reopen before we went into the second and third lockdowns. Every day that they remain subject to lockdown makes it less and less likely that they will recover. In 2020, we lost 10,000 business premises for good. Those are largely community pubs, neighbourhood restaurants, small independent bed and breakfasts and hotels, which will never reopen.

The scale of that crisis will not become apparent until we reach the cliff edge of the Government support ending on 31 March, VAT, business rates and the rent moratorium, and then furlough unwinding on 30 April. That is the point at which businesses will hit a brick wall and have to take a decision on their future. We will see more small businesses having to end it and hand back the keys. We will see a significant number of job losses unless that support can be extended. The scale of the crisis is masked so far by the support the Government have been able to provide. We are rapidly running into a situation where we do not have the cash to get through.



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It is costing £500 million pounds a month to keep the sector closed. That is net of all Government support. For an average pub, that is costing them £10,000 a month. For an average restaurant and hotel, that is costing them £20,000 a month. The Government support to cover fixed costs is capped at £3,000 a month. It is the law of diminishing returns. Sooner or later the cash runs out and the business falls over.

Q32 Chair: Is there not an argument to say to Government that the Government and taxpayers have put a lot of cash into keeping businesses going, so we have to keep going with this cash a little longer in order for those businesses to survive? Otherwise, in some ways, sad as it is, the taxpayer will have put a lot of money in and the business still goes under. That is probably a plea you would make, is it not?

Kate Nicholls: You are absolutely right. Hospitality and its supply chain is characterised by large numbers of SMEs, so they do not have the cash. If even our largest PLCs in the sector are saying that they will run out of cash in March, it is unsustainable longer. If we do not have a clear reopening date, we need to make sure that those support measures are extended in order to protect the businesses.

At the moment, the focus has rightly been on protecting jobs, but furlough supports the employee. It does not support the business and it is actually costing our businesses to operate it at the moment. Therefore, we will have wasted all that investment in protecting the 2 million jobs in hospitality that are still supported by furlough unless we can make sure that the businesses can get over this short-term survivability crisis and into long-term recovery.

If we have that support, not only will hospitality recover, but we will deliver jobs, growth and investment at pace across all parts of the country, because hospitality recovers more quickly than other businesses. You lift restrictions one day, customers go out the next and you have to employ somebody on the third day. On the fourth or fifth, you employ somebody in James's business and in Ian's business further up the supply chain. We will get growth back if we have that support. We showed that in August, when we contributed significantly to GDP growth when we had VAT and business rates support. Then we can get back to generating one in six of net new jobs, growing at 4% a year and investing £10 billion in the high street. Return on investment will be great.

Q33 Chair: We will bounce back when people can get out, because they will want to get out, since they have been locked down for so long. They will support the country's businesses as well. Ian, from your perspective, supplying the hospitality sector, all those businesses have not been able to supply the hospitality sector. Retail has been doing pretty well, but how is that affecting them?

Ian Wright: Thanks for the opportunity. It not just what many people may think of as hospitality. It is also all those workplace canteens that are shut because people are not at work. Many people are at work of



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course, and probably more in this lockdown than previously, but workplace catering is pretty badly hit. I am sure James will talk about that as well. It is similar with what we might call food to go, which Kate covers, but people do not necessarily think of as hospitality, so sandwich shops and takeaways in downtown urban locations.

Let us be clear. Of all those on this panel, and of many industries, food and drink manufacturing is doing better than most because people continue to eat and we continue to supply them. The change in the pattern of consumption has been pretty radical. These figures are only an order of magnitude. When we started the lockdown a year ago, our sales were about 70% through retail, which is supermarkets and convenience stores, and about 30% through what I would call out of home or away from home. That includes contract catering, hospitality and food to go. I would say that, right now, our pattern of consumption is about 95/5, so 95% retail, 5% contract catering. That is all that is open.

We are probably selling the same amount of food, perhaps slightly more, because the same amount of calories are being consumed. The interesting impact of that is, because of the way the dynamics of the market work, that food to go, contract catering and hospitality have better margins than my members. They drag the overall margin up. While the only really available customer is retail, that depresses margin.

At the same time, as I think I said last time I was here, about six or seven months ago, my members have also seen a really significant reduction in what we call stockkeeping units, SKUs, which is to say the variants of each product that each manufacturer might produce. The day before the lockdown, one of my members, a company you would all be familiar with, was producing 83 SKUs. Today, it is producing 11. That is because it has concentrated production, particularly when absence levels began to bounce around. It wanted to be very sure and to continue production without taking things offline to put them back on. That has reduced the margin in a number of cases.

The industry is producing a huge amount of food, is continuing to operate and is much better positioned than other manufacturing industries, automotive or aerospace, probably not pharmaceuticals or chemicals, but others. We are not disadvantaged in the overall scheme of things, but this is not, if I can be very colloquial about it, "fill your boots" time. This is quite a struggle for members. Those members supplying hospitality or food to go as a specialism are even more disadvantaged because, by and large, they have received no support. I am sure James will talk about that as well when we get on to distribution. They have not benefited from any of the support that Government have offered. They have continued to produce but tried to repurpose.

Q34 **Rosie Duffield:** Kent is a lovely, beautiful place to have weddings. I get an awful lot of wedding companies saying to me that they do not how to cope. They are folding. Kate in particular, you are talking about the



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recovery, but for those small, often family-run businesses, once they have let go of their staff, their really expensive marquee equipment and even their premises that sell wedding outfits and things, do you think there is going to be that psychological knock-on effect? They are not going to feel safe enough to buy all that stock again and to recruit in an industry that feels that it is not a safe one to be an employee in.

Kate Nicholls: There is a big impact on business confidence and consumer confidence of a successive series of ever-changing restrictions and tiers: open, closed, can, cannot. Although the Chair is right that confidence and demand will return, I think there will be a delay this time round. People have had their plans changed so many times that you are reluctant to be able to make plans and provisions.

In the weddings and events sector, for music in particular, there is a lack of insurance ability in the marketplace. There is an unwillingness to insure the risk. It applies through the food and drink chain as well, in terms of trade credit. There is a lack of confidence and a lack of appetite to invest in support and insure the sector. That needs to be grappled with before businesses can return.

For the wedding sector in particular, there is a long notice period. People book their weddings a long time in advance. They need to know with certainty that they have a guaranteed reopening date as soon as practically possible. It needs to be risk-assessed. It needs to be based on the size of the venue where they can socially distance and accommodate people, rather than it being an arbitrary cap on numbers. That is what enables couples to have the confidence to book their weddings and businesses to complete and supply that contract.

Q35 **Chair:** I have one or two venues in my constituency that are vast barns and very big things, and yet they were still restricted to the same numbers. We have to be a bit more logical about this. I am hoping that, when we recover this time, with the vaccine, we can get more people at these events. It will return to profitability and normal. People may be able to enjoy themselves again. Who knows? We might get to that situation. James, do you want to make a brief comment on this question?

James Bielby: Since we last met in front of this Committee, things have deteriorated considerably. In the report that was put together, there was a call for the Government to demonstrate how they intended to support the food and drink suppliers to the hospitality and food service sector during Covid. I can categorically assure you that that has not happened in any shape or form. The sector has continued to suffer throughout the last year. I know that Minister Prentis appeared before this Committee in January and said that she understood that wholesalers did not believe they had had any sector-specific support. Factually, we have not had sector-specific support.

She also made the case that she thought it was too early to intervene in the sector. I would argue that it is possibly getting too late now,



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especially as we move towards the restart. I do not want to overstate the issues, but the lockdown we are currently in has had a devastating impact on the food and drink supply chain. We are remaining open to supply into public sector. Kate's members are closed and the hospitality and leisure sectors are not open for supply. In terms of the sectors that we supply, some schools are closed of course, but hospitals, care homes and prisons are all open. Wholesalers are trading at a loss to be able to supply them with food and drink. We have done that regardless of any support from the sector, so trading at a loss.

We have had access to some of the general Government schemes, but access to debt is not support. The money that has been taken out in CBILs or businesses using their own reserves will soon run out. The longer this continues, the longer we maintain the supplies to the public sector without that support, the more quickly that money will disappear. We have seen an impact of some of the late announcements by Government, specifically schools. The closure of schools with one day's notice created a huge amount of excess stock that is very difficult to shift.

We believe there is around £12 million of stock in the marketplace that is on hand. Some of that was destined for hospitality at Christmas. The closure in November and the tier system in December created that excess. There was also some no-deal preparation stock, which was on hand when the deal was mercifully struck just before Christmas. The late notice of the current lockdown, plus the U-turn on school closures, has exacerbated that problem. That is money that is tied up.

As we look towards the restart, there is a specific cashflow issue that needs to be addressed. If that is not addressed by Government, it will be very difficult to restock and buy product from Ian's members to supply to Kate's members. Kate referenced the issue around trade credit and the ending of that scheme in June. That is going to create a major problem for the sector, given the credit squeeze we are facing. The points have been made excellently by my colleagues. There are issues with regard to the sector, not least the late decision on the interventions made by Government. The comments made by Minister Prentis were extremely disappointing, because it is not an emotional response. It is a factual response to a lack of support.

Chair: There is no doubt that you are doing a public service by staying open and supplying food, especially to nursing homes, the hospital sector and schools. You have been hit by the nature not only of Government decisions but of the disease and the way it has reacted. The trouble is that it has affected your businesses directly and it was not your fault that this happened. We will hopefully get this through to Victoria Prentis when she comes before us, so thank you for making that very strong point to us.

Q36 **Barry Gardiner:** You have all made a very strong case. Kate, I have



9,000 hospitality businesses in my own constituency. You may know it is the Wembley area, and therefore that is inevitable. Have you made any representations to Government about how, when they were distributing the retail hospitality grants to local authorities, they made an assessment of how many potential recipients were in that local authority area? If they distributed the amount that was given to Brent Council to the 9,000, it would have come out at something like £367 per business. There seemed to be no equation between where the hotspots of hospitality are and the amount given to the local authority.

Kate Nicholls: You are absolutely right. We have made representations to Government about that. You have acute problems in central London and other metropolitan areas, where you have a low residential population and, as you say, a density of hospitality businesses. We did the same figures in the City of London. It came out at £8 per business. In Westminster, it came out at £100 per business. It is not enough to go around when you have a large number of businesses that are directly affected. It equally affected some of the coastal and rural communities that are tourism dependent, down in Devon and Cornwall as well.

You have these businesses that are desperate for money, need support, cannot reopen because of the severe restrictions and are unable to achieve it. We made representations to the Government about that. Thankfully, now we are out of that situation of tiers. We are in national lockdown and it is much more clear cut whether you are closed or open, and you can identify it. We have also asked if we can try to automate the grant process to just get the money to the businesses as quickly as we can. We do not really want to come out in tiers again.

Q37 **Barry Gardiner:** I have been cheeky in piggybacking the Chair's question with a little supplementary there. To move on, in the first part of our inquiry today, we were looking at support for people who could not afford to feed themselves. The question I wanted to ask was about the scheme the Chancellor set up, Eat Out to Help Out. Do you see a tension in the provision? On the one hand, we are talking about people who cannot even afford the basics to feed their children. On the other, we are putting resource in to help people who can afford to go and eat out to do it for half price. Would it not have been better to put that money directly into those businesses? I absolutely support the idea of supporting those businesses and the sector, but it seemed to me ironic that we have this real tension between the two goals we are trying to achieve here.

Kate Nicholls: I understand the point you are making about tension. I am not sure that I am best qualified to answer that. Clearly, there are multiple policies that need to go across. The Eat Out to Help Out scheme was designed to encourage consumer confidence generally, and encourage people back on to high streets and footfall, as much as it was about supporting eating out in particular. It was to give people that confidence message. In terms of recovery of high street footfall, accelerating a return back out and giving people confidence to go back out, it worked very well. In terms of hospitality, it brought 400,000



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workers back from furlough, which was hugely important. That is a 61% reduction in our use of furlough as a sector.

It crucially meant that we could top up those wages, so that some of the lower-paid workers in the sector were able to come back in and enjoy a higher wage. From that point of view, it was really beneficial for our sector. The average discount on a meal was £5. This was a relatively low spend on a lot of items, and it allowed people to come in and access it at a range of price points for the 13 days that it was in operation. For the hospitality sector, the gains that we had accelerated our recovery. It got back to more sustainable levels. It was cut short when restrictions were put in place. I go back to the fact that, with the capacity constraints and social distancing, the best we were able to achieve was break even at Eat Out to Help Out. That was in one week of Eat Out to Help Out. Those businesses did not profiteer or make a lot of money out of it.

Q38 **Barry Gardiner:** I make no suggestion of that. You will have seen the Warwick University research that concluded that the scheme may have had indirect economic and public health costs that vastly outstrip its short-term economic benefit. I do not think there is any doubt that there were economic benefits to the industry. I wholly support that, but there are long-term costs. You have pushed back against that, in terms of the public health cost, because the industry did a remarkable job in trying to ensure that people were safe when they came to eat and put a lot of restrictions, screens and so on, in place.

I wonder whether you think that, economically, it was the best use. James made the point about clarity, knowing ahead what is going to happen and knowing that it is not going to be chopped and changed at a moment's notice. That would equally come to bear here. Do you think this scheme should be repeated? If it should, what are the conditions that you would like to see in place?

Kate Nicholls: It is difficult to assess in hindsight now the economic benefits of that scheme in isolation. As I say, we were accelerating through the recovery. It brought hospitality back into functioning and firing on all cylinders much more quickly than it would otherwise have done. It brought forward the recovery. The economic benefits of it were lost because, from mid to late September onwards, further restrictions were put in place, which meant we did not keep up the pace of that recovery. It would be a very different outlook, had we not had those restrictions coming in from late September.

I push back against the Warwick University research from a health point of view. The Treasury's own figures suggest that take-up of Eat Out to Help Out did not correlate with incidence of Covid regionally. Indeed, where it does the relationship is negative. We were able to do 60 million customer visits a week safely and successfully, with social distancing in place, without any increase in the number of cases of Covid throughout that 12-week period. When we did testing of our staff, fewer than 1% of



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our staff were testing positive for Covid. Clearly, our control measures were sufficient to make sure that hospitality was a safe place to socialise.

I am not sure necessarily whether, this time round, coming out of this lockdown, it would be the right initiative to restore consumer confidence and drive demand. You need to look creatively at the mechanisms we need and those support measures to bear down on indebtedness. To restore the balance sheets of the businesses is what we need this time round as the focal point for recovery. It is about maintenance of that VAT cut, the 100% business rates holiday and the continuation of flexible furlough. Those are the creative measures we need this time round in order to get the industry back to full strength.

Q39 Chair: What effect have the varying alcohol restrictions on pubs, restaurants and their suppliers had? It has been start, stop, start, stop. Ian, do you want to have a go at that? You must partake in the odd drink at the pub occasionally, I imagine.

Ian Wright: I resile from that suggestion, Chair, absolutely. I cannot imagine what you mean. They clearly have had an effect. This is much more one for Kate, to be honest, and maybe James. There are a couple of things here, and it slightly returns to the point Barry was making just now and Kate was making in response. There is an issue of consumer, hospitality guest and shopper confidence. All the measures about restrictions, whether they be about where you can go, what you can buy, when you can buy it, what time and so on, are big hits to consumer and shopper confidence. At the same time, there is the whole issue about retailer, hospitality provider and wholesaler confidence as well.

One big thing we will see when we go back into the marketplace, as the economy opens up, particularly the food economy, is that retail will have a lot of confidence. Other parts of it will have far less confidence and far less ability to trade, because they will have been trading at the edge. As a consequence, things like trade credit insurance are going to be absolutely crucial. I am sure Kate and James will talk more about that.

As to the impact on consumption, it is important to remember that alcohol consumption in this country has been going down for the last 25 years. It continues to go down. We have all these stories about a small number of people continuing to over-consume in the lockdown. I, and I am sure all of us, certainly have examples of people who have been ordering more and have drunk more. The simpler truth is that the demographics of the UK population militate in favour of reduced alcohol consumption. Those are driven by religion and workplace behaviour. In some ways, because the home has become the workplace, that has had an impact on people's consumption as well. If we are all in front of these screens all the time, we are also more visible.

It remains to be seen whether the alcohol industry is going to suffer as a consequence long term. It is certainly the case that, in the short term, there have been some interesting shortages of beer in retail. There have



been some interesting shortages of wine in online offerings. By and large, I do not think the alcohol industry in its entirety can yet assess the impact of this. We know—and this is really for Kate—that the impact from those who drink out of home, in a pub, bar or restaurant, is going to be very significant for some time.

Q40 Chair: You have just asked the question of Kate that I was going to ask. The hospitality sector is really affected by the alcohol situation but also food. It is all incorporated in together, is it not?

Kate Nicholls: There are a couple of points to add to the general conversation about what happened. The multiple changing restrictions impacted on consumer confidence. The ever-changing tiers meant that you had a different impact and different set of circumstances. It is the cumulative impact of all those changes that had the most significant hit. In a nutshell, we can look at what happened on a week-by-week basis with the restrictions tightening, the introduction of curfew, table service only, tier restrictions that limited the amount of household socialising you could have, then the introduction of a substantial table meal and scotch egg-gate coming in towards the end of last year.

At the end of September, the industry was generating about 70% of normal revenue levels. That is just at break-even point, that point at which we exited Eat Out to Help Out and we were into normal trading. It was a salami slice after that. The biggest economic hit is when you go to single-household socialising. That reduced revenues by 30% to 40%. On top of that, you then had curfew, which reduced it by about 20% to 30%, depending on the type of business you have. Curfew hit restaurants harder than it did pubs. Then there was substantial table meal again.

You went from the industry achieving 75% of normal revenue levels to 40% of normal revenue levels before we went into the second lockdown in November. When we came out in December, to Ian's point about consumer confidence and whether they even bother going out, we reopened at 25% of normal revenue levels and just slid downhill. Even though 40% of premises could have reopened legally on 2 December, only 15% did, because the economic impact was so severe that they had no footfall and no custom. You had that real slide back down over the course of the autumn, which left businesses reeling. You have an ever-changing menu of restrictions that are poorly targeted.

We need interventions that deliver the maximum health impact for the lowest economic impact. Over the course of the autumn, we had the exact opposite. They had the biggest economic hit and unclear health benefits, if you look at things like curfew and substantial table meal. Our plea to Government is to work with us on a risk-assessed approach when we come out of lockdown, so we have restrictions that do not do us significant economic damage but really protect customers and teams.

Q41 Chair: James, I have one or two little breweries and cidermakers that have been particularly hard hit because they were supplying into the pub



sector mainly. They have found it very difficult to get into direct retail. What is your experience across the piece?

James Bielby: If you look at the total hospitality supply, the lowest it was across the year, or the highest point year on year, was minus 20. That was when we had Eat Out to Help Out. Most of the trends there were towards pubs, so that was one time when people actually drank and ate more in the pub environment.

There is a wider point there that you have alluded to, with regard to the ability of those brewers to get listed in supermarkets. Throughout the last year, we have seen a number of policy interventions that have benefited the supermarket supply chain. With regards to curfews and the consumption of alcohol, if the pub closes at 10, people were able to buy alcohol in the supermarket and then consume it at home, possibly not observing social distancing rules that would be in place in the licensed trade.

You see a number of different things across the year that benefited the supermarkets. When it came to food supply back in March last year, the Government's number one priority was to keep supermarket shelves stocked, based on the 80/20 rule, given that is where people shop. We have seen that continue across a range of interventions. They have had £2 billion of business rates relief. They have had extended opening hours. They have had a relaxation of competition law. Perhaps most importantly, the hospitality trade has been given to them because of the restrictions that have been put in place. They have had record sales at the same time as they have had policy skewed in their favour, while the wholesale supply sector has had none of those.

We have had no business rates relief. We have had no preferential treatment. The schools debacle that I alluded to earlier meant that, when the Government U-turned on their advice away from food parcels to a national voucher scheme, thousands of orders from schools were cancelled in wholesale. All that trade was directly given to supermarkets. We have seen other things as well. I know we are not talking about Brexit today, but they are able to jump the queue at Dover and move products from GB to NI in a way that the suppliers in hospitality and public sector are not allowed to.

The alcohol point is a really good one, but it is an example of where the number one priority of Government policy is the supermarket shelf. There are consequences for that. That means that the diversity of supply and the number of smaller and medium enterprise operators up and down the country, the regional jobs in some of the levelling up red wall seats, are at risk as a result of that.

Chair: I know Ian has to go at quarter past. Can we have about six or seven minutes for each question, please?

Q42 **Robbie Moore:** This question focuses on key workers and absence rates.



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Ian, how concerned are you about the current absence rates within the hospitality sector? How satisfied are you with the Government's position on mass testing and vaccination priority for key workers in the hospitality sector?

Ian Wright: I will answer for manufacturing and Kate will answer for hospitality. Thank you for your forbearance, Chair. As you may know, I am actually going off to do something about mass testing for the whole industry when I leave here. It is an important priority for us. We have to get mass testing rolled out across the whole sector in order to help us build the confidence we were talking about earlier.

On absence rates, in manufacturing we have managed to continue to produce, remarkably really, since March. Although there have been much publicised outbreaks across the country and every so often there is a story about outbreaks in a food factory, the number of really serious outbreaks has been relatively small, given the size of the industry and the fact that we have been producing all the way, 24/7, since 17 or 18 March. That is the first thing. That, of course, is a big tribute to the extraordinary diligence of the workers. I have to express, once again, huge support and admiration for the hidden heroes of this, who are people working in food factories, supermarkets and distribution centres, driving lorries, wholesalers and so on. It is a remarkable thing that it has kept going with relatively few serious impacts.

The next stage of this though has to be that we test most people most of the time. I do not know whether it should be every day, every two days or every three days, but we need to roll it out. We are rolling it out in our factories. As I say, that is where I am going next. We are trying to roll it out across the supply chain.

By and large, absence rates have stayed around 12%, 10% or lower in the last few weeks. I know in supermarket distribution they have been slightly higher occasionally. With both factories and distribution centres, if they get to 20% or 30% you are in trouble, because you have to start shutting lines down. Thankfully, so far we have not reached that in any material way. Mass testing and then the vaccination is the next stage of doing that. At the same time, we work very closely with our trade unions on this. The trade unions are supportive of this and have been incredibly constructive throughout. We need to push harder on this now, because this is the next stage of ensuring everybody's safety.

James Bielby: I would echo Ian's point. Interestingly, the Government are providing free lateral flow testing for businesses with more than 50 employees. The vast majority of the members we represent have fewer than 50 employees. They can access community testing, but it makes it much more difficult to do the volume of testing that is required, along the lines that Ian says. I do not know how that threshold was set. Presumably they have to draw the line somewhere, but it has been drawn at a line that is too high for a lot of smaller, regional wholesalers supplying into a range of customers.



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Access to community testing, like access to support schemes through local authorities, is a patchwork. There is no consistency of approach, for all sorts of reasons. That is a challenge for those businesses that want to access testing. It is the right thing to do, but it is made more difficult by the fact that this line has been drawn. Also, there is a relatively low uptake of the mass tests that are available until the end of March for free. There could perhaps be more done to distribute those to smaller businesses, potentially. I think there are several million sitting in a cupboard somewhere in DHSC. If those could be distributed to smaller businesses, that would be really helpful.

Chair: That is a very good point.

Kate Nicholls: I would echo the points made by colleagues. In hospitality, we have a key point with lateral flow testing. It is not just for our employees; it is for our potential customers. If we are going back to talking about how you reopen weddings, events and nightclubs, lateral flow testing will play a critical part in that. We stand ready to help. An important point to note is that 70% of our workforce will be aged under 30, so they are the ones less likely to get the vaccine and last in the queue. In the lateral flow testing of mass population, if you get hospitality reopened again, we can participate in the mass testing of that difficult-to-reach age group.

Chair: Ian, I suggest that you come in first to answer the next question, please. Will you also add any last points you would like to make before you go?

Q43 **Dr Hudson:** Before you go, Ian, I would like to echo your comments and thanks, the big shout-out that you made to the food heroes through this crisis, the people who have provided food for us, whether it is farmers, vets, processors, transporters, shop workers or hospitality workers. They need a huge shout-out for everything they have done through this crisis, so thank you for raising that. I would like to echo your comments on that.

I wanted to talk about the support for the food and drink suppliers. We touched on this earlier in the session. We asked the Government about this earlier on. Ian, what do you think of the Government's provision of support for the actual food and drink suppliers, so people upstream in the process as well, the suppliers to the hospitality and food service sectors? What are your thoughts on what they have done? Should they be doing more?

Ian Wright: We have had extraordinarily good dialogue with Government. I said this last time I was here and I will say it again. The support we have received, in terms of interaction and willingness to go and solve problems, particularly to unblock supply chains, from Defra, has been really extraordinary. In particular, there is a man called Chris Tyas, who has been appointed as director of food supply. He will not mind me saying he is a grizzled industry veteran, like your Chair, who has



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previously been the supply chain director of Nestlé. Chris has come in and presided over advising Defra, alongside David Kennedy, the director of food.

They have done a really good job. They have had this morning call, the food resilience industry forum call, which has been a huge success in making sure that everybody understands what is going on. They can contribute very easily to identify problems and there have been many solutions. I am sure James would be prepared to give some examples of where the problem has been identified, everybody has said, “Yes, we must do something”, and it has not necessarily happened, but they have done a good job. George Eustice, the Secretary of State, has been excellent in putting his heft behind this, particularly occasionally when there have been—how can I put it?—constructive disagreements with DHSC or others. Victoria Prentis has been very helpful too, in many regards.

A lot of the time, Defra is not seen as an economic Department. This crisis demonstrates, as does the Brexit crisis, that it is central to the economy and the security of the UK. If you cannot feed your country, you do not have a country. It is crucial that the lesson from this is to put food supply and its security centre stage. That has worked pretty well. There could be more support. This is my last point, I promise. There needs to be more support in the longer term. To a degree, it is what Kate talked about, but this is in the context of all food supply, not simply manufacturers or retailers, and certainly not just hospitality. Turning the tap off at the end of April or March is not going to work. We need to ease the economy back into this. We have to have a safety net to catch some areas.

It is the Chair’s excellent point that there is no point in supporting all these businesses through the last year, and then, at the last minute, walking away, so that they all fall flat on their face. Everybody who has ever run a business knows that it is the gearing up, the scaling up, that gets you. It is not continuing. In better times, many businesses get taken under when sales take off because they cannot fulfil demand. It will be a bit like that over the summer, we hope. We need innovative and thoughtful ways of helping suppliers.

I do not think Government need to just think of all this stuff as debt. I am strongly in favour of them thinking of turning some of that into equity. I do not see why you would have spent all this money on sustaining all these businesses without getting a bit of the upside. That would be a perfectly legitimate thing for Government to think about and to have a stake in the future success of this business.

Lastly, Chair, thank you for your forbearance for my departure. It has been really important and remains very important that this Committee is so supportive of the industry, and rightly critical and inquiring of us. We will always want to come back and talk to you about these matters,



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because it is a great place to have these debates and discussions. Thank you for having me.

Chair: Can I say bye to Ian and wish him well with his next meeting? That is also very important. We look forward to putting a really good report together. I echo Neil Hudson's comments about the food industry, the processors, the farmers, everybody, the suppliers, the supermarkets, our retailers, our small and big ones, our little shops that have managed to keep open selling food, all the people who have been getting food out to the most needy as well as the general population. It has been a magnificent effort and they are not always the sung heroes they should be. Thank you for that. Those final points you made, some of them quite political, were very good. It may well give us some basis to put in our report.

Thank you, Ian. You go on to your next meeting. We still have two very valuable people left here, with Kate and James.

Kate Nicholls: From our point of view as hospitality operators, the best thing you can do to support the supply chain is to make sure that hospitality can open, trade and trade viably. We have a large number of suppliers within our membership, not just food and drink supply but more generally. Half of the suppliers to hospitality earn 95% of their revenues from hospitality. If you shut down their major customer base, you are going to have a significant impact further up the supply chain. That is the greatest area of concern for the length of time of closure and the length of time of restrictions.

This is a complicated ecosystem, which is highly interrelated and full of moving parts. You impact one piece and other pieces will come together. A big learning that has come out of this, as Ian said, is how complex the supply chain is, how important it is and how so much of Government policy impacts upon it. The Defra colleagues have been incredibly supportive. I would echo all Ian's comments about how they have helped the supply chain through this and helped to try to look ahead to rebuild resilience. We are also working really closely with the same teams in DCMS and the BEIS Department, DCMS looking after the tourism side of hospitality and BEIS looking after the high street hospitality.

That stands us in good stead for having that comprehensive, holistic view of how we deal with this hugely important piece of our economy, with the largest supply side, the largest manufacturing side, and everything in between on distribution. That lesson needs to be taken forward.

Q44 **Dr Hudson:** That is really helpful. James, to follow up on that, Ian acknowledged that the Government have done a good job of logistics, trying to unclog logjams and helping in that sense. Can you give us some perspective, in answer to the question, for the distributors but also the suppliers? Do you feel that the targeted support has been there for them? We have talked about logistics and strategy. Has there been enough targeted financial support for the sector upstream? Could you address



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that as well as the general question?

James Bielby: There absolutely has not been enough support for the upstream supply chain into retail, catering and public sector. We have had no specific support at all. We have had no business rates relief. We have had no access to the retail, leisure and hospitality grants. We have had no support for the millions of pounds of excess stock that has been created since March last year. We have had access to general schemes and some of them have been taken advantage of, for example the furlough scheme or access to CBILs.

There has been some money available from some local authorities via the additional restrictions grant, but that is a patchwork. I will give a shout-out to Brent Council, with Barry on the call. It is one of the most proactive councils. It has given some large sums of money. Other councils have not. The problem with the scheme is that it is administered in a discretionary way. Guidance comes out from central Government, but it is up to each local authority to decide how to spend. There is no consistency there.

Throughout this crisis, we have been talking to Defra. It does a monthly survey on the impacts of the ongoing Covid situation on wholesale. It can see that it is a sector in distress and it is very keen to work with us, understand the impacts and try to find a way through. Unfortunately, there has been no help. While businesses have had access to CBILs, those have now gone, but they are also due to be repaid imminently. Businesses that have built up reserves over many years have burned through those to continue supply into public sector. There are businesses that are totally closed because they supply hospitality and that has not been open. Throughout this, we have had no help whatsoever.

We have consistently called for the business rates relief that has been given to hospitality outlets, retail outlets, including supermarkets, and leisure, many of which have remain open and traded at record profits throughout this year. We have had none of that support. We have lost 3,500 jobs from a total of 60,000. Millions of pounds have been lost in trade. The most successful week we have had is minus 20. It has been as low as minus 95. It is a sector in distress and we are very grateful to the Committee for the opportunity to come and speak to you again. The issues we highlighted, which you recommended to Government in your last report, have not been addressed.

As we begin to think about the restart, it is going to be extremely difficult, given the lack of cash and lack of access to credit that every point in the supply chain needs. The businesses we represent are based on invoice financing. They will supply products to the end user on credit, receive that money and then pay their suppliers. Without that being underwritten by Government or an injection in cash, it is going to be extremely difficult to supply. You cannot turn on the taps. You can turn on the taps with regard to time and give notice, but we need access to cash, support and some way of giving money to those wholesalers that



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have millions of pounds of stock on hand that they cannot give to food banks or food charities. Every single item that can be donated has been, but they still need to be paid for.

We have a debt crisis. We have a credit crisis. We have a cash crisis. The supply to the outlets represented by Kate, but all of the leisure and other businesses that are going to be reopening later in the year, is at perilous risk without support from Government. I cannot overstate the case. I am not overstating the case. This is very serious.

Dr Hudson: Thank you, James, for being very frank with us. It is good for us to get that on record to highlight the unsung heroes in the food and drink supply chain who perhaps need additional targeted support. That is very helpful for us as a Committee to raise with Ministers and make recommendations. Thank you for being so candid and frank with us.

Q45 **Ian Byrne:** James, you have given a brilliant overview from the industry. It was brutally honest and exactly what we needed to hear as a Committee, to take those recommendations back. I am going to ask you a question now that may cause you some thought. Given the rightful controversies over parcels from wholesalers for shielding people and for free school meals, are they the best way to support people?

James Bielby: It is a great question and a loaded question; I understand that. I will talk about schools first, and the decision of the Government to U-turn their guidance away from food parcels to the national voucher scheme, which, as I mentioned earlier, has given a whole load of money back to supermarkets and Edenred, a French company that won that contract without tendering.

Schools prefer food parcels and the guidance was explicitly clear that food parcels are better for all sorts of reasons, not least safeguarding of children. They are delivered by the schools, so they can check up on children who may well be vulnerable. There were some on offer—the Chartwells' offer, in particular—that were substandard and poor. That was rightly picked up by social media. However, that was an anomaly. The local offer that our members supply was substantially better. We have evidenced that on social media; we talked about it on the television and the airwaves when this broke.

We were penalised as a result of a substandard offer by Chartwells. Many local wholesalers had contracts cancelled by schools, as schools decided that they were going to go to the national voucher scheme instead. That was at a time when they had excess school stock anyway, because the announcement of school closures was done with 24 hours' notice. The Permanent Secretary at the Department for Education told the civil servants there on the Monday that schools would be reopening. On the Monday evening, Boris Johnson announced that schools would be closing.



Orders were made by schools in December from their wholesale suppliers for the term starting in January, so all of that stock was bought by wholesalers in good faith and then shipped to schools on day one. Most of it was sent back because schools were then closed. All of that stock is on hand with no way of getting the money back. The Department for Education has put guidance together that says that schools can give money back to their suppliers if they believe they are at risk. We do not know of a single example where that has happened.

The food parcels are the right approach if they are done properly and well. We have examples and evidence that the members we represent were providing high-quality items. They have been penalised and, as a result of Government chasing headlines or government by Twitter, we have now seen hundreds of people going on furlough, and businesses have stock on hand and cannot pay for the products they have bought from their suppliers because the parcels have been removed from them.

Q46 Ian Byrne: James, just to come back on that, is it possible to supply us with the evidence that you are speaking about? We have just seen the social media storm around Chartwells. You gave an absolutely fantastic answer. Many reputable firms probably got a good hammering there, so I would really like to see that evidence from you and the schools so that we can redress that balance.

James Bielby: We can supply that to the Committee, yes. It was picked up by the national media. We did "BBC Breakfast" on the Saturday, and you could see the quality of the offer that was in place. It was a kneejerk U-turn and schools, understandably, decided that it was easier, for a quieter life, to go to the vouchers. Unfortunately, that had unintended consequences for the supply chain. All were tarred with one brush, unfortunately, which was a great shame.

Q47 Ian Byrne: Within the briefing, you said that one of the only things that Defra did to help wholesalers in March has now been handed to the supermarkets; you have touched on that. What are we talking about in monetary terms there? What have you lost as an industry?

James Bielby: It is difficult to quantify but we are talking millions of pounds, because the vouchers that parents receive can be redeemed only in supermarkets; I think they can use them at local shops with some difficulty and specific arrangements being put in place at a local level. All of that money has just now been taken away and given back to the supermarkets.

Q48 Ian Byrne: They have done really well anyway, have they not? That is a really good answer. Kate, would you like to come in on that?

Kate Nicholls: I would just reiterate what James has said. We have a large number of contract caterers within our membership that supply schools with good-quality meals, which found themselves without an ability to trade and with a lot of stock on their hands as a result of it. It goes back to the point that large parts of the sector will supply the public



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sector and the private sector. You need the cross-subsidisation from one to the other, and the resilience in public sector supply of food causes a real problem if you cannot do the private sector catering that is more profitable.

Caterers generally have received no support from the Government because they are not property-based. They are often preparing the food in a premises that is not a hospitality-fronted premises. They are supplying it into schools and hospitals but also museums, galleries and canteens for workers, including your own in the House of Commons. They do not qualify for any of that support level. Therefore, their businesses have been severely impacted and, as a result of that, their ability to continue to subsidise the public sector catering is severely impacted.

As with James, we had a lot of good-quality local businesses that were preparing very good-quality food, which was nutritionally balanced, and that fell away straightaway because parents and schools opted for the online vouchers. That adds a further shockwave up the sector and makes it much more vulnerable, so it has less resilience as a result.

Q49 Ian Byrne: Just to come back on that, James, how do we police the sector? We are talking about an offering that decimated the sector because it was substandard. Moving forward, how do we police it and make sure that that cannot happen again, or should that be down to the Government?

James Bielby: I am not quite sure how the Government would police each individual offer.

Ian Byrne: It should be up to children.

James Bielby: They have set certain standards that were supposedly met by the offer that we all saw, which was not up to scratch. It should be done on its individual merits. It is a shame that some schools took that decision when they could see and they knew that the offer was excellent. It is a shame that that happened, unfortunately, because of Twitter storms and the Government wanting to be seen to be doing the right thing in the face of that. I do not understand how a policy can be good one day but then terrible the next. It does not make a lot of sense, is not very strategic and does not help businesses that have planned and bought products on that basis.

Chair: James and Kate, thank you very much for your evidence this afternoon. At the end there, it just shows what happens if one company is a rogue company and does not deliver on food parcels. It reflects so badly on you all. The jury is Twitter, basically, is it not? The evidence is not always entirely correct but it catches fire and is then very difficult to put out. You have both shown to us this afternoon that you are still in the storm. In fact, the storm for many of your businesses is getting worse, not better. Things will get worse before they get better.

We will strongly question Victoria and other Ministers when they come



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before us. We will put together, I promise you, a strong report with good recommendations, to get you, hopefully, some support that you need in order to keep going. I made this point to Ian Wright, and he came back to me on it. Having spent all this money and seen you thus far, even though I know, James, that many of your businesses have not been able to tap into quite what they should have done, let us try to get this support now to see you over the line and recover. When the economy bounces back, when people can get out and are vaccinated, they are going to make whoopee, to be honest with you. Businesses will do well, but you have to survive long enough in order to take up that hopefully renewed vigour in the economy.

Thank you for your evidence. You have both been very straightforward with us and given us very clear and honest answers. Thank you very much. Can I thank members, and can I also thank you, for remaining with us for longer? Each session took an hour and a quarter but we were taking good evidence from you, so I do not really apologise for it because we got a lot out of you all. Thank you very much to members for hanging on for that extra half an hour.