House of Commons

Treasury Committee

Oral evidence: Economic impact of coronavirus, HC 306

Monday 7 June 2021

Ordered by the House of Commons to be published on 7 June 2021.

Watch the meeting

Members present: Mel Stride (Chair); Rushanara Ali; Mr Steve Baker; Harriett Baldwin; Anthony Browne; Felicity Buchan; Dame Angela Eagle; Emma Hardy; Julie Marson; Alison Thewliss.

Questions 466 – 547

Witnesses

I: Helen Dickinson OBE, Chief Executive, British Retail Consortium; Kate Nicholls, Chief Executive, UKHospitality; Mark Tanzer, Chief Executive, ABTA—The Travel Association.

Written evidence from witnesses:

UKHospitality – EIC0495

UKHospitality – EIC0967

Examination of Witnesses

Witnesses: Helen Dickinson OBE, Kate Nicholls and Mark Tanzer.

Q466 **Chair:** Good afternoon and welcome to the Treasury Select Committee evidence session on the economic impact of coronavirus. We are going to be looking particularly this afternoon at Government policy in terms of supporting businesses from the crisis, bridging them through into recovery, looking particularly at retail, hospitality and the travel and aviation sector. We have three excellent witnesses this afternoon. I am going to ask them to introduce themselves very briefly to the Committee.

Helen Dickinson: Hello. I am Helen Dickinson. I am the chief executive of the British Retail Consortium. Our members span retail businesses of all shapes, sizes, categories of product that they sell and channels through which they sell them. We have about 170 direct members, and we also reach into the much smaller independent businesses through our trade association members. We really cover the totality of the retail industry.

Kate Nicholls: I am Kate Nicholls. I am chief executive of UKHospitality, which is the national trade body representing the breadth of hospitality operators: pubs, bars, restaurants, hotels, coffee shops and cafés. We have 700 member companies. Between them, they operate 90,000 outlets across the UK.

Mark Tanzer: Good afternoon. I am Mark Tanzer, the chief executive of ABTA—The Travel Association. We have 1,000 members ranging from independent high street travel agents to large tour operators and cruise companies. Together, they account for about 4,000 travel brands sending UK citizens abroad, but there is also quite a large domestic business sending UK citizens to holidays in the UK as well.

Q467 **Chair:** Welcome to all our witnesses this afternoon. Perhaps I could start by asking my first question to Helen and Kate. To what extent has Government support been able to effectively provide a bridge for viable businesses between the crisis and now coming through into the recovery?

Helen Dickinson: Without any doubt, the Government support has been absolutely vital for those businesses that have been impacted most detrimentally. Across retail, there is a real mixed picture between those that have been open, those that have been required to close, those that have seen sales rise and costs also rise as they have invested, but it is the segment that has been required to close where the support has been most valuable.

I do not have an exact number, but there is no doubt that hundreds of thousands of jobs have been saved by the combination of business rates relief, the furlough scheme and the various grant and loan support schemes that have been put in place. The key thing is what happens now, which I am sure we will come on to, but the direct answer to your question about whether those measures have helped is that absolutely, yes, they have.

Kate Nicholls: I would endorse what Helen has said. Government support has been substantial, it has been unprecedented and it has undoubtedly prevented many business failures and job losses in hospitality that otherwise would have started to be felt in March last year.

However, it is also fair to say that the measures that we put in place at the start of the crisis have not always been sufficient to address such a prolonged and sustained hit on revenue. For hospitality, you are talking about 15 or 16 months' worth of suppressed revenues where we have not broken even. In 10 months out of the last 15, most businesses have been closed without revenue, but some of our businesses, particularly nightclubs and live music, weddings and events venues, have effectively had no revenue for the last 16 months. However good the support was, if you are talking about a bridge, you need that support to be sustained all the way through.

For those businesses in hospitality, each and every day of the crisis they have lost money. Even now, when businesses are open and trading with restrictions, they are still loss-making. When they were closed, the average costs of remaining closed were £10,000 to £20,000 per month and the average support was £3,000 per month, so there has always been a shortfall. It is also important, therefore, to look not just at whether the Government have provided a bridge—yes, undoubtedly they have; they have carried lots of businesses across that bridge—but also the state in which we cross that bridge and the condition we are in, as to whether we are standing up, walking tall and moving forward or whether we are crawling over the bridge in the last few metres to be able to get to the other side of the crisis.

For hospitality, the level of debt with which we are exiting the crisis, which got us through the crisis, is the area where there has been shortfall. Government support has not been adequate to get us there in one whole piece.

Q468 **Chair:** Kate, on that point about debt, are you referring particularly to Government-backed loan schemes, for example, and the repayment requirements applied there? The Government have brought in some measures in terms of extending the term and so on, and making it a bit easier and less onerous. What are your thoughts in that area? Can you expand on that for us?

Kate Nicholls: In hospitality, we are coming out with about £6 billion of Government debt and Government-backed loans, £2.5 billion of rent debt and then there are other forms of debt that our businesses will have taken on through banks, investors and private equity. You have a range of types of debt that they are coming out with, and it is at far higher levels.

For the economy as a whole, corporate deposits are about twice the level of corporate borrowings. It is exactly the opposite in hospitality: our borrowings are twice the level of our corporate deposits. It is that very high level of indebtedness. Although Government measures have been really helpful in terms of setting out a framework for easing the burden of Government-backed debt, we are not seeing that translated on the ground by the banks. Very few of our members have been able to get their loans extended up to 10 years. The term of most of the loans that were granted in the first round was about three to five years. The maximum that any of our members have managed to get their loans extended to is about six to seven years.

There are still commercial conditions being applied by the banks, and the high level of uncertainty around the trading future for hospitality means that banks, lenders and landlords are quite risk-averse when it comes to investing in the hospitality sector. Therefore, they are being quite cautious. While the Government measures are really welcome and we would love to see loans extended for 10 years, it is just not happening on the ground. That level of debt is going to take a long time to service. You are going to have to get very high levels of revenue back up. At the moment, trading under restrictions, businesses are not profitable and are not breaking even, which means they cannot begin to pay down that debt. That will lengthen the amount of time that the recovery will take.

Q469 **Chair:** On this point about the extension of the term of the Government-backed loans, which the Government have announced, are you saying that it should be available in a number of circumstances and the banks just are not providing what the Government have said they should be providing?

Kate Nicholls: Yes.

Q470 **Chair:** That is interesting. Are there any other measures, apart from perhaps resolving that specific problem, that the Government should be taking in this area, around these businesses being highly leveraged as they come through to recovery? Are there any other specific things that Government should do?

Kate Nicholls: Over and above a recapitalisation strategy that looks at Government-backed loans and how we can help with that and detoxify the sector for commercial lenders, the key thing that we would need to look at is about rent debt and tackling this burden of rent debt, which is going to hang over the sector as a shadow. You are going to have a long Covid for the economy, if you are not very careful.

We have £2.5 billion of historic rent debt that currently falls due in one hit on 1 July when the moratoriums end. We urgently need those moratoriums to be extended. We are two weeks away from the next quarter rent day. We need that extended as a matter of urgency, and then we need the Government to work with us, with lenders, landlords, lessees and investors, to be able to get a solution to this rent debt and have it rescheduled over a longer period of time so that we avoid tripping up businesses and creating unnecessary insolvencies just at the point when we start to exit the crisis, which is what we fear may very well happen.

About one in five of our businesses are saying that, unless we get resolution on the rent debt issue, it will trigger insolvencies. We see a similar number saying that it will trigger site closures.

Q471 **Chair:** On rent debt, at the end of June, as we know, the latest and probably what feels like the final extension of the moratorium will go. Have you had discussions with Government—this is to either of the organisations here; I am addressing both Kate and Helen—about what you think should happen after that? We cannot go on forever and ever having moratoriums. There is the other side of the coin: there are landlords who are not getting paid, and they are part of the equation, too. Have you had discussions? What has come out of those? What thoughts have been aired in that area?

Helen Dickinson: To complete the picture, Kate mentioned that there is about £2.5 billion of hospitality-related rent debt. There is another £2.5 billion to £3 billion of retail-related rent debt. We have had a number of conversations with Government on this. I know that both the Business Department and MHCLG are still considering what they may do. Certainly what Kate's and my organisation have talked about is possibly ring-fencing the historic debt that relates to those periods of closure. Rather than a blanket extension of the moratorium, we could look at the historic issues and keep the protections in place over that historic rent to give time for those negotiations between the landlords and the tenants to resolve themselves over the coming months. That is what we have been talking to them about. That is what we hope they will find a way to do.

As Kate highlighted—this is one of the points we may come on to later—the communication and the collaboration across Government, generally speaking, has been amazing, but this is an example where here we are, two or three weeks out from when that deadline is going to crystallise, and we still do not know what is going to happen. I know businesses always talk about clarity and certainty and wanting it as early as possible, but it is a great example of the need to provide companies with clarity over what will or will not be happening, because they will be making decisions or have already made decisions about closures or job losses in the light of not knowing the answer to that question.

Chair: Thank you very much. You have made that point very strongly.

Kate Nicholls: This is an issue that we have been talking to Government about since the first closures came in last March. The Government put in place three-month moratoriums each time. It is never long enough to be able to reach a negotiated settlement, and we have been urging them not just to kick the can down the road but to provide a facilitated route through so that we can reach resolution on this.

I understand what you say about how we have to come to an end and we have to come to a full and final moratorium, but, while we still have restrictions in place, while one in four hospitality businesses are still not able to trade, while we have restrictions and we are uncertain about 21 June, we cannot lift those moratoriums without facing a real calamitous impact on those businesses. Either we have to lift the restrictions and press ahead with step 4 or we have to extend the moratorium and then find a route through to get both landlords and lessees to a compromise solution.

In hospitality, we still have about a third of premises that have no negotiated solutions with their landlords. They do not have any concessions, and they are demanding that rent is paid in full on the first day. We need Government assistance here. We have a stalemate that cannot be resolved by the market. At some point, we want the market to function properly and we want to have a fully functioning property market, but we are not there yet.

Q472 **Chair:** Mark, I want to turn to you. Broadly, Kate and Helen have been relatively happy, if I can put it that way—I am not saying without any reservations—with the support that businesses have had in their sectors through this terrible time. The situation for yourself and your members is not as rosy. Do you want to tell us about the legal case you are now taking against the Government, why you are taking it and what you are particularly dissatisfied about?

Mark Tanzer: Candidly, the situation for travel is a lot bleaker than what we have just heard. I do not want to have a pain competition with my fellow witnesses, but the ONS's own data says that travel is the sector that was earliest and hardest hit by Covid, and we are not at the point of recovery at all. The domestic economy is starting to open up, but international travel clearly is not.

Last week's news that Portugal, which was one of the very few countries on the green list, was being put on the amber list was another real blow. That sent a signal to the industry and to customers that, in pursuit of their domestic health policy, which we support, the Government are prepared to say that international travel is not going to be restarting as originally envisaged.

The support measures that have been available have been appreciated, but they have been at the margins and certainly not adequate for the scale of the challenge that the travel industry has faced and is facing. The summer season accounts for two thirds of travel business. We are in it now, and no one is travelling. The Secretary of State for Transport said that there would be travel but not as we know it. It is not travel. There are effectively two countries on the green list that you can go to: Iceland and Gibraltar. They account for less than 0.5% of travel.

Our members, as I am sure others have, have been living on no revenue. Worse than that, they have been having to pay refunds and do re-bookings, so they have not been able to use the mechanisms that the Government have put in place, such as furlough, for instance. Travel companies have had to have staff in doing that work. HMRC's data says that only 49% of travel employees have been able to use the furlough scheme, because companies have had to have people in doing that.

Similarly, with the loan schemes, travel companies are typically not well capitalised and operate on very low margins. Those that did take out loans, perhaps not seeing how long this was going to go on for, are now facing the repayment of those. Behind the statistics, I have real hardship stories of people who are not just losing their businesses; they are losing their homes. Where they have taken mortgages out to fund the business, payment is now due. There is absolute hardship and desperation, frankly, out there. Our members are really looking for a complete step change in the Government's attitude towards the industry, frankly.

Q473 **Chair:** What do you need to see from the Government right now? As you say, we are in the summer season when most of the business normally occurs. What do the Government have to do immediately, in your view?

Mark Tanzer: There are travel-related things and finance-related things. The next three-weekly review point of the traffic-light system is on 28 June, and the Government have said they are going to look at the whole structure of the system.

Certainly, we would like to see recognition of the very impressive vaccination programme that we have here. People returning to the UK who have been vaccinated should not need to test, if they are coming from green countries. People who are coming from green countries where a test is required should be able to use a lateral flow test, which is much cheaper than a PCR test. We would also like to ensure that the borders are working properly. What we do not want is travel being stifled because people see long queues returning into the country. The vaccination certificate system is now gaining international currency. Other countries are saying, "If you have a vaccination certificate, you will not need to take tests." Our vaccination system entirely matches their requirements.

There is a lot that we could do. We would love to see more countries on the green list. I find it very difficult to understand why we have the highest vaccination rate and yet we have the lowest number of flights coming in and departing the country. We have 57% of the population vaccinated, either with a first or second vaccination, and we are flying at 13% of last year's volume. Germany has 42% vaccinated; they have 34% of last year's volume. Those data are from IATA. Other countries with a lower vaccination rate have a higher resumption of travel. We are not clear why we are in that position.

Q474 **Chair:** That is the travel side of it. Do you want to quickly unpack the financial strand for us?

Mark Tanzer: As my fellow witnesses have just said, an extension of the moratorium on rent repayments is important. Our members are retailers as much as anyone else, so we absolutely endorse that.

We would like to see not just an extension of the furlough arrangements, rather than a tapering of them, but a flexing of them so that they more accurately match the working patterns of our members. Members could be paid for the hours actually worked and then the Government would subsidise others. At the moment, it is all or nothing: they are working or they are not. That does not really work for us. Similarly, we need an extension of business rates relief and the VAT deferral.

There are some measures there around extending what is already in place, but we also really believe that we need a dedicated system of grant support for the travel sector. Other countries have done this much earlier than we have, with revenue replacement schemes subsidising lost revenue. It is up to 90% in the Netherlands and 100% in France. The Government need to recognise that travel is in a class of its own in terms of the pain it has suffered. If we do not have support through these critical weeks, I really fear that we will lose a generation of travel companies, if we do not act and get some financial support into them now.

Q475 **Chair:** As my very final question, I just want to clarify a point. You mentioned flexible furlough or furlough being more flexible. It is, of course, flexible in the sense that you can furlough individuals for different periods of time within the month. You meant something in addition to that.

Mark Tanzer: Yes, it is still that they are either in work or they are not. What we want is for our members to pay for the hours that are worked, whenever they occur, and then support for the balance to be there from the furlough scheme, so that we can absolutely reflect what is happening on a day-to-day basis practically in terms of what we hope will be the recovery of the business. At the moment, it is completely flat.

Q476 **Anthony Browne:** My questions are going to be about consumer confidence, whether it is coming back or not and what more the Government can do to help it come back. Kate, in recess last week I visited various gastropubs in my constituency of South Cambridgeshire. They all looked very busy to me. They may not be representative. How is business bouncing back so far? Are people cautious about going back, or is it going quite well for your members?

Kate Nicholls: Business is going reasonably well in terms of consumer return. I would just caution that simply having a couple of busy trading periods or having busy pubs and restaurants while you have social distancing restrictions in place, which cap your capacity and ability to earn at 60%, means that you can be busy and trading full but you are not profitable and you are still loss-making. Equally, if you are busy at one lunchtime and on one evening, it does not mean you are profitable.

You need to be busy all the way through the week to be able to manage it.

We are seeing a strong return from consumers. It is a faster pick-up than we had in July last year when we reopened hospitality. We had 40% of consumers come back when we opened outdoor; 51% have come back in the two weeks since we opened indoor hospitality. In July last year about 37% of customers came back and it did not get up to 45% until we got into Eat Out to Help Out. Reassuringly, 70% of them are saying that it has exceeded their expectations and that they feel safe in hospitality. Safety and caution around that seems to be less of a concern than it was in July.

There is strong demand and positive levels of trade, but a slower momentum because of the uncertainty. That is the biggest impact that we are seeing. Since we had the announcement on 14 May about the Delta variant and some uncertainty injected into the road map, you have seen momentum coming back out or tailing off, and it has not grown as quickly and as rapidly as we would have expected. Going up from 40% to 51% is not as significant as we might have done. You have seen a hiatus in that momentum in business recovery throughout that period, too. It is the uncertainty around reopening.

Those consumers who have not come back to hospitality said that they were waiting until 21 June when restrictions were lifted. That was when they felt it would be comfortable to do it. Until we get towards that and we have some certainty and clarity around stage 4, you will see a slower amount of take-up.

As I say, fundamentally, the fact of the matter is that you can be busy and trading well and full, but you are at capacity and you are not profitable. None of our businesses is profitable at the moment. None of the businesses that are open is trading above breakeven. A quarter of hospitality is still closed; those that are open are trading at about 61% of normal revenue levels.

Q477 **Anthony Browne:** That is quite amazing. As you say about stage 4 on 21 June, supposedly—we do not know definitively what the Government are going to decide yet—there is speculation about some social distancing measures being relieved but not others. Presumably the most important one for you is the one-metre or two-metre rule being relieved, rather than the rules around wearing a face mask and so on. What are the critical things that you need to see removed to get the businesses profitable again?

Kate Nicholls: The critical ones for us would be around social distancing: the one-meter-plus rule and the capacity restrictions. All of our businesses have their capacity capped, which means you have limited the amount you can earn even if you are a hotel, et cetera. They are all operating at 60% capacity. Those limit your ability to meet demand; you are turning customers away.

You also have a series of restrictions in place that make it more costly for you to operate. Principal among those is table ordering and table service. Those were new. They were not there. Table ordering was not there last July. We are opening now with more restrictions than we had in place last July. That is adding to staff costs. We are running at about double our staff costs at the moment. Table ordering is adding a significant amount. Specifically for pubs, it is about the ability to stand in a pub. Having to be seated at all times is an additional measure that restricts your capacity and your ability to earn.

We have supply-side and demand-side constraints that mean we are not breaking even and are suppressing profitability. Profits are down probably about 25% because of social distancing and the one-metre-plus rule, but they are also down 25% because of the additional costs of doing business to run table service.

Q478 **Anthony Browne:** Helen, the retail sector has not been completely closed down in the way that some of the hospitality industry has, in the sense that they have been able to do online and that essential retailers have stayed open throughout. Now it has fully reopened, how are you seeing consumer confidence? Are people sticking with online shopping? Are they going back into the shops? What is happening?

Helen Dickinson: Even pre-pandemic there was a shift going on, a transformation in terms of the way that we all shop. What the pandemic has done is accelerate that balance between digital and physical. What we have seen since 12 April is that, if we look across two years, footfall into retail locations up and down the country is still 30% down on what it was two years ago. Those who are going out, though, are shopping with purpose. Sales are still down in shops, but they are not down 30%. When people do come in, those who come are feeling confident about being there, given all the investment that those businesses have made in ensuring that they are Covid-secure, and they are buying. We can see a difference between out-of-town larger stores with more space and parking available versus cities, where there is more reliance on public transport; people are feeling much less confident to use public transport. It is urban centres like London, Birmingham, Manchester and Glasgow that are faring worse, whereas out-of-town is faring better.

In terms of the Government interaction, Kate has mentioned the criticality, certainly for hospitality, of 21 June. The other thing is the review on face coverings, mask-wearing and, as you say, social distancing. I am less critical about exactly what it should say. The most important thing is that, whatever it says, it needs to be really clear. One of the issues we have had around some of these things is inconsistency of messaging. If that causes confusion in the eyes of the public, that in itself undermines confidence. Clarity around that messaging is really, really important, as is encouraging people back on to public transport.

We also need clarity of message about working locations, because that is one of the other reasons that cities are faring at the bottom end of the spectrum. What is the working-from-home guidance going to look like? Those would be the things that I would highlight. Consistency and clarity of messaging, public transport and working location are all vital in terms of getting more people feeling confident to be out and about.

Q479 **Anthony Browne:** Coming back to the points you made at the beginning about the shift to online, we have seen the high street take a real hammering here. We have seen the loss of a lot of well-known names, such as Debenhams, et cetera, that have been on the high street for 100 years or more. Lots of communities are worried about losing so many shops in the high street. It is a big issue. Is that pressure going to carry on relentlessly in the way we have had it over the last year, or will the high street now be able to level off, as it were, even if it is not really bouncing back?

Helen Dickinson: The answer to that depends. First, more and more retailers, of whatever shape or size, have invested in digital over the last few years. We are seeing a much closer relationship between physical shopping and digital shopping, so we should not think of them as two separate things.

In terms of granularity, we lost around 5,000 shops during 2020. Whether we lose more shops going forward than we need to will depend on the moratorium decision—we talked about this earlier in terms of giving space to those businesses that need to renegotiate—and what happens to the business rates review. We have not really touched on that. It was ongoing pre-pandemic. I know this Committee has looked at business rates before. We have the work that is ongoing with the OECD. A big cost going forward will be those property costs, and part of those property costs will be business rates. Ensuring that we can get a virtuous circle between digital and physical will depend on what the policy environment that sits around it looks like in the future.

Q480 **Anthony Browne:** I am sure my fellow Committee members will have further questions on that. Turning to Mark on the transport side, you highlighted earlier to the Chair all of the problems that your sector is having compared with other countries, particularly given our high vaccination rates. On the consumer confidence side, presumably people are just thinking that they cannot go on holiday and they are very confused. How are you seeing the consumer demand side?

Mark Tanzer: The demand is there, but there are a number of obstacles. The communication has not helped. When the traffic-light system was announced, it had the merit of being clear and understandable in terms of the quarantine requirements and testing. The Government then came out and said, "You should not be travelling for leisure to any amber country at all," so people were not sure of the status of that. Is that advice? What is it? Is it a wish?

When that came out, we saw a dip in bookings, which were already impeded by the restrictions that are in place: the cost of testing, the quarantining if you are going to amber countries, and so forth. There is demand, but, either deliberately or for whatever reason, the Government have decided to put obstacles there to throttle the expansion of international travel at the moment. That is what is holding things back. We are seeing bookings for next year coming through, but of course all the travel sector gets at the moment is deposits. What you need is the final balances. We really need people to be travelling this summer and paying the full balances that are due.

Q481 **Anthony Browne:** Are you finding that people are leaving it very much to the last minute because of all the uncertainty? Presumably people are not booking ahead so much. They are going to leave it until the following week, as it were.

Mark Tanzer: Yes. This year we were hoping to get away from stop-start. We had travel corridors last year, where every Thursday you would find out whether you could or could not travel to the place you were going to. In our discussions with the Government, they were saying, "We are not going to have that. It is going to be more signalled. We are going to have a watchlist." Last week, with Portugal, there was no watchlist. There was a sudden change of policy. You have seen the pictures of people in Portugal scrambling to get flights home because it caught them by surprise and they wanted to get back before they had to go through the amber quarantine.

We really need to get some transparency about what the criteria are and how they are being applied so that we as an industry and the customers can plan. We need much more consistent communication so that we do not suddenly have switches, because that damages people's confidence to travel, without a doubt.

Q482 **Emma Hardy:** My first question is to all of you. Do you think there will be a permanent increase in homeworking and that it is now inevitable? If it is inevitable, what impact will it have on your sectors?

Helen Dickinson: The jury is out. Certainly, though, every single business leader I talk to is trying to get their head around what "hybrid working" means in reality. I certainly believe that the general direction of travel is one where we are not going back to what we had before. There is no doubt that people will spend more time working either at home or in different locations that do not always involve nine to five in an office after commuting into a city. The trend is here to stay.

Certainly, what it will mean is a rebasing, for want of a better word, of the retail offer in some of these urban locations. That is just an extension of the trend I talked about before. We are going to need to see a different economic model with different levels of rent and lower business rates. Commercial rents will have fallen, so business rates need to fall as well. That is part of what the outcome of the review needs to make sure happens much more quickly than the current system facilitates and enables.

If that is the case, we can really reimagine what some of these spaces should look like. There will be an economic model that will work; it will include but go beyond retail. It will facilitate and enable more engagement, perhaps, in our local communities as well as in our cities and town centres.

Q483 **Emma Hardy:** Just before I ask the other witnesses, I want to push you a little more on that, Helen. Can you see certain regions or types of areas benefiting from this move to homeworking as opposed to some areas that might miss out?

Helen Dickinson: What we are seeing is that retail in locations that have more housing has actually benefited from the fact that more of us are spending more time at home. You have more in your local area; you do not necessarily need to travel anywhere to go and see it. That is a positive outcome, but it comes back to what the ongoing economic model of those locations will look like. There is no doubt that different parts of the country are suffering the consequences of those out-of-line rates and rents, which really need to fall to reflect that economic reality, particularly the parts of the country that can withstand it the least. The most deprived areas are the areas where we should see those costs fall, and they are not falling fast enough as yet.

Q484 **Emma Hardy:** Yes, absolutely. Thank you for that. Kate, what do you think in terms of this move to online working? What impact can you see it having on hospitality?

Kate Nicholls: I would echo a lot of what Helen has just said in terms of the effect. It is probably too early to tell exactly what will happen. It has clearly accelerated a trend that was already there in the economy and the marketplace: the move towards flexible working. I am not sure it is going to be as binary as home versus office. People will move towards a more hybrid model. We are not necessarily going to go back to five days a week, nine to five in the office in the centre of a town. We will have more hybrid and flexible areas of working.

As Helen said, in those major towns and city centres that are heavily dependent on office space, you are not going to have an absence of offices or an absence of workers; you are going to have fewer spread throughout the week, so you are going to need to plan business and activity around that. You are going to need to see a pivoting of hospitality businesses in the suburban locations, where people will be working at home, perhaps working from a satellite office or wanting to work in a flexible workspace. Hospitality can provide that workspace. Lots of us who are sick of working in our bedrooms or on our kitchen tables might want to work in a more communal space in our suburban town and city centres.

You are going to need to pivot the hospitality offer there as well. In our town and city centres, for example the centre of London or the centre of Manchester, the offer is premised around business lunches during the week and less around leisure during the weekend. Interestingly, we are seeing a lot of leisure activity in those town and city centres, as we come out of the pandemic, at the weekends and those businesses need to be pivoting their offer to be able to provide that.

Ditto for your local neighbourhood cafés and restaurants, which perhaps were better suited to families, weekend and leisure. They are now needing to provide more business space and more flexible working space to be able to accommodate that.

Overlaid on top of that, which will take longer to come back and which is where I overlap with Mark, is business travel—I mean both national travel and international travel, which will take the longest to be able to come back—and coming back for central business meetings. People are, again, going to do less of that. You are going to have fewer international conferences, but you are going to want to do better-quality ones. In the international events space or the international conference space, the UK has a great offer to sell, but it is going to take time for that to recover. It will take time before global corporates start to reinvigorate and restart their business travel and face-to-face meetings.

That is going to be a challenge for our town and city centre venues for much longer, and they are going to take a lot longer to recover, particularly if we are looking at town centre hotels, which would be reliant on international travellers, business travellers and business meetings. Those are the things that are going to take the longest to come back.

Helen is also right about needing to make sure that we have the structures in place around business rates and rents and needing to use this as a reset moment to be able to incentivise and encourage investment into our towns and cities, particularly into our suburban areas.

Q485 **Emma Hardy:** Thinking about town centres, many of which have been on the decline for over a decade, we have seen closing shops. As Helen has already mentioned, it has accelerated changes that were already happening. Do you see the role of hospitality changing in our city centres? Is there a greater role for hospitality, if we are seeing more of a rebalancing between online and physical in retail? If you do see that, what would you recommend that Government and local government do to support it?

Kate Nicholls: That is an area we have been doing since the financial crash. One of the things that people forget is that casual dining on the high street is a relatively new invention. We have had a massive explosion of dynamic entrepreneurial operators who have invested in our high streets. We already took up the slack when retail went through its first convulsions and closures post the financial crash. We have been generating one in six net new jobs each year; we have been generating 5% economic growth and £10 billion of investment in our high streets. We have filled those gaps on the high street.

The challenge now is around whether hospitality is going to emerge from this crisis in a fit enough state to be the saviour of the high street the second time around. It is undoubtedly the case that what we are wanting and what our customers are telling us they want is experiences on their high streets in their town and city centres. They need those vital hospitality support services to bring retail back, to bring housing back and to bring other services back on to the high street. Is hospitality going to be in a fit enough state to do that?

If we want that, we need to make sure that we have sufficient bridging finance to get us over that last hump. We need to get hospitality open without restrictions so that it can start to trade its way out and make that positive contribution back to our local economies and we have the headroom to invest. Going back to my earlier points, we need to tackle the rent debt and tackle the short-term Government debt that we have a problem with and get business rates incentivised so that local authorities want to welcome hospitality back.

You can see in your own constituencies what we have done over the summer, with one or two hands tied behind our back, with al fresco dining. We are bringing communities back to life, and hospitality is the big hug at the heart of the community. It brings light and life; it brings jobs to your local constituents, two thirds of which will be for 18 to 24-year-olds. We need hospitality to get back firing on all cylinders again. It is a third of the size that it was at the start of this crisis. It has knocked two percentage points off total national GDP, because we have been constrained. If we are freed up to do what we do best, we will get back to generating that positive contribution and investment.

Emma Hardy: I am conscious of time, and my colleague needs to get in before the statement, so I will stop there. That was really fascinating, thank you. Apologies to Mark, as I did not get a chance to ask for your contribution. This is something that I really hope the Committee pursues in looking at the impact that homeworking is going to have on our economy. Thank you, all.

Q486 **Dame Angela Eagle:** I am going to be asking about some of these rent arrears. Before I do that, can I just ask, particularly for the hospitality sector in general, is there now a shortage of workers? We read in the newspapers that quite a lot have either gone back to Europe or are not around. Are you having problems recruiting?

Kate Nicholls: Yes, we are. It is not consistent across the whole country. There are certain parts of the country where it is much more acute, particularly in those parts that are more heavily tourism-dependent. We have two challenges. One is that not all of our staff are coming back from furlough. About 85% are coming back, but 15% are not. You are right: there is an issue about foreign workers who have left the UK to go back to their families and who are not returning.

There is also our student population, who are in the wrong place at the wrong time. Many of our younger workers have not been able to afford to continue to remain in town and city centres like London and have moved away into different parts of the country. At the same time, we were not able to furlough all of our staff for the reasons we have previously explained to the Committee. With the eligibility criteria for the furlough scheme, we could not furlough and could not keep a lot of our seasonal staff, so everybody is starting to recruit at the same time.

The single biggest issue that we are facing, though, is a lack of confidence that the sector has a sustainable and viable future. With the uncertainty around reopening and when restrictions can lift, lots of people who are approaching businesses to start work are saying, "We are not sure you are going to be able to trade continuously; we are not sure the restrictions will be lifted; we are not sure the Government will not close you down again." We need a big injection of confidence from the Government about the future of the reopening of the economy.

Yes, we are struggling. We have a 9% vacancy rate. We are short of 188,000 workers. Some of them are on second jobs while they are furloughed by hospitality businesses and are having to work notice to come off. There is a multiplicity of factors there.

Q487 **Dame Angela Eagle:** Are wages going up as a result?

Kate Nicholls: In certain parts of the country, we are seeing wage-rate inflation. With the furlough scheme, many of our staff have been furloughed since March last year. With the way furlough operated, we were not able to recover the full costs of national living wage increases going through, so you are seeing natural wage-rate inflation because some of those staff coming back now have two incremental increases in the national living wage, which has a knock-on effect on differentials.

In other parts of the country, particularly the south-west, Scotland and parts of Wales, yes, you are seeing wage-rate inflation going through. It is at the higher levels, not the entry levels, where we are facing some of the most acute crises in terms of wages.

Q488 **Dame Angela Eagle:** It is at the more skilled end?

Kate Nicholls: Skilled chefs and skilled managers are the two areas, as well as front and back of house.

Q489 **Dame Angela Eagle:** That is interesting. Kate and Helen, you were talking about the levels of debt that have grown during the lockdowns, particularly the £2.5 billion of rent debt in hospitality and the £2.5 billion of retail rent debt. The moratorium is coming to an end in a couple of weeks. Are we facing a tsunami of demands for this rent to be paid back immediately, which will simply cause businesses to go bankrupt?

Kate Nicholls: Yes. We have a very real problem on our hands if the moratorium is lifted without a resolution being put in place. As I say, businesses are saying that for a third of their premises there is no concession and rent is being demanded in full the day the moratorium lifts.

The other thing to factor in is that most hospitality businesses that are multi-site will have a multiplicity of landlords. If you have 50 sites in your hospitality business, you probably have 50 different landlords. All it takes is for one landlord to be recalcitrant and not concede or negotiate, and it could be enough to trigger insolvency across the whole of the estate. There is a challenge around unpredictability, because one landlord can bring down the house of cards. In a recent survey of our members, about one in five were saying that they feared they would have insolvency as a result of rent repayments becoming due if there was not a solution found to the rent moratorium.

Q490 **Dame Angela Eagle:** Helen, is there a similar thing going on with retail, as far as you can tell?

Helen Dickinson: The number for retail is £2.9 billion. The situation is less acute. "Tsunami" is probably not the word I would use for retail. I would say that what we see is a slow chipping away of all those decisions. When a business has lots of sites, they look at their whole portfolio and they decide what to do with it. The line between which stores they will keep open and which stores they will keep closed will move depending on the outcome. It will be much more of a chipping away.

Q491 **Dame Angela Eagle:** It will be more of a tide coming in rather than a tsunami crashing over everybody's heads. It would be the waves coming in.

Helen Dickinson: Yes, exactly. It sort of looks like nothing is happening, and then suddenly the tide has gone out. That is a good analogy.

Q492 **Dame Angela Eagle:** Do you have any idea about what the Government are planning to put in place, if anything, in just two weeks' time? Are there any indications? Again, there is this level of uncertainty when everybody knows the moratorium is at an end. Are there any talks going on behind the schemes to give you assurances, or are you just waiting for a press release?

Helen Dickinson: We are waiting. I would not say there has not been any communication. There has been lots of opportunity to feed in perspectives, so it would not be true to say that we have not had the chance to make our views known. What we have not had are any indications coming the other way as to which way any decision might go.

Q493 **Dame Angela Eagle:** You have both put forward various processes that you think would help with this, but neither of you has any indications as to whether the Government are thinking about this reasonably, much less putting a situation in place. Do you think they will just kick the can down the road for another six months?

Helen Dickinson: I do not know whether Kate has a different perspective, but they understand well that the end of June is upon us imminently and therefore the decision needs to be communicated as quickly as possible.

Kate Nicholls: We had a call for evidence. That concluded a month ago, and we have not had any feedback yet from that call for evidence other than an assurance that Ministers understand the severity of the situation and the need for urgency. We have repeatedly walked to this cliff edge and it has always been resolved.

As I say, if you still have restrictions in place, if a quarter of hospitality businesses are legally not able to open and the rest are unable to trade profitably, I do not see how, in all good conscience, you can remove those protections of the moratorium and expect to have the businesses sort it out themselves. There is simply an inability to do a deal while you have no certainty about the conditions under which you can trade. Even if you have a really positive landlord to work with, they cannot reach an agreement with you.

In a sense, you now almost need the can kicked down the road a little further in order to give time to have a proper, constructive solution put in place. There is broad coalescence and agreement around what that solution should be. Helen, myself, ukactive, the British Property Federation and a couple of the major landlords have all talked to the Government about a broadly similar scheme for how you deal with the rent debt.

Q494 **Dame Angela Eagle:** This is about a ring-fence of the debt and then binding arbitration.

Kate Nicholls: Yes, absolutely.

Q495 **Dame Angela Eagle:** I do not know whether you have noticed how bad, at the moment, our court system is, how badly it has been hit by the lockdown and the cuts that happened before. There is a two, three or four-year wait to get into the Crown Court, let alone tribunals. How could a binding arbitration system even work, given the fact there is so much backlog in all of our court and tribunal systems?

Kate Nicholls: You need to take it away from the courts, ultimately, because of the pressures they are under. There are arbitration systems that are in place and working at the moment in terms of the property market, which could help. As long as it is binding and mandatory for it to go to arbitration and for both sides to agree, you could keep it out of the courts to avoid that longer-term delay and procrastination.

Clearly, what you want to have is a clear direction to the courts. There are already a lot of landlords pursuing debt enforcement activity against retailers and hospitality businesses, even while we have the protections in place, using bullying tactics to try to force through resolution using county court judgments and taking up court time. You need to have direction to the courts given centrally about how you should treat these arrears.

The proposal that we have come up with—we have worked with the other lessee representative bodies, and a couple of the big property companies are in agreement—is that you would have central direction from the Government to say that the starting point should be 50% forgiveness of the rent debt. Both parties agreeing to bear half and half seems fair. You should only go to binding arbitration if you need to move away from that or you want to reach a different agreement on the terms for repayment of that debt. That should help to minimise the number of cases going to court. It should only then be used for the very small minority where you cannot get agreement or one side is being recalcitrant.

Q496 **Harriett Baldwin:** I want to focus my questions mainly to Mark, because it seems from my constituency work that it is the travel sector that is struggling the most at the moment. I just wanted to turn to the fact that, for example, I now have a vaccine passport in my NHS app, which shows that I have had both my vaccinations, and yet I am not really able to go anywhere with that passport, although lots of countries are saying that they would welcome me. I just wondered what discussions you are having with the Department for Transport about opening up air travel to people who have had both vaccinations.

Mark Tanzer: We have had constant engagement with the Department for Transport and the Department of Health through the Global Travel Taskforce. Together with the aviation and airport sectors, we have made these points very strongly. We think that people who have been fully vaccinated returning from green countries should not need to go through a PCR test. Other countries are basically acknowledging that by welcoming people who have been vaccinated without a test. The Government are being ultra-ultra-cautious on this. When the first strategic review of the traffic-light system comes up, we would hope that this changes and that a vaccination certificate does enable you to travel much more freely than you can now.

Q497 **Harriett Baldwin:** You say it is a Global Travel Taskforce, but every country seems to be doing it differently in terms of what they will accept as a passport. Will the fact that you have an NHS app that records your vaccination be recognised by all countries? What international discussions are you having to try to get some consistency? There seem to be so many different schemes.

Mark Tanzer: That is very true. We have been working very closely with destination Governments to try to understand what those requirements will be and to feed those back into the taskforce. I know that for some countries the NHS app is not adequate, because they want some passport identifier. They are not convinced that there is enough evidence to attach the certificate to the individual. DfT and the Government need to work very closely with those individual countries. As you quite rightly say, different countries have different thresholds of risk, if I can put it like that, that they are prepared to take.

Q498 **Harriett Baldwin:** The travel industry is not doing its own piece of work internationally, then.

Mark Tanzer: I know that IATA is engaged in this as well. We have bilateral relations with tourism Ministers and a very frequent flow of information about what they require, and we feed that in. Really, it is for those bilateral negotiations to take place between Governments to agree what the international system of certificates is going to look like. As you say, there are very different requirements for different countries at the moment.

Q499 **Harriett Baldwin:** Lots of people like to go on holiday with their children. Are you assuming that people will be required to have vaccine passports for their children to travel as well?

Mark Tanzer: We hope not. The question about vaccination and testing is still open as to what level of testing is going to be required. Clearly, anything that puts more tests on families and children is very undesirable in terms of the cost. What we really do not want is for travel to become just the enclave of the rich and people who can afford it. We want it to be open to as many people as possible.

Q500 **Harriett Baldwin:** What do you want to see be the requirements to enter the UK? We cannot have a visitor economy into the UK if we are requiring everyone to quarantine first at an airport hotel. What arguments are you making in terms of what kind of inward requirements the UK should have for people to have been vaccinated?

Mark Tanzer: We would like to see the traffic-light system that was announced actually put into practice, with countries that have high vaccination rates—they are all increasing—and low infection rates being pretty much treated on an equal basis to the UK. Your risk of coming in from those countries is not really any greater than it is within the UK.

We are leading in terms of vaccination rates, but other countries are catching up. What we would like to see is more and more countries coming into the green category, where you do not require any kind of quarantine, and that ultimately the testing requirement goes as well and you have unrestricted travel to countries that are seen as an equal or lesser risk than our own.

Q501 **Harriett Baldwin:** So you would not be arguing for people to have to show a vaccine certification in any way?

Mark Tanzer: Ultimately, as I say, if infection rates and vaccination rates are similar to ours, logically you could have unrestricted travel to those countries that are seen to be of equal risk, and you would not need a vaccination certificate to return to the UK.

Q502 **Harriett Baldwin:** Can you share with us whether you are seeing among your members a boom in domestic travel? Are you seeing parts of the domestic travel economy that are behaving differently? Are you seeing different policies on restrictions in terms of Wales, Scotland, Northern Ireland and England? Are they affecting your members?

Mark Tanzer: The domestic holiday is going to benefit from the restrictions on international travel without a doubt, but we have not really built the domestic infrastructure to take everybody who wants a holiday within the UK and prices are going to be high, because demand is outstripping supply.

Q503 **Harriett Baldwin:** Is that factually correct, that we just do not have enough hotel beds in the UK?

Mark Tanzer: Last year there were 60 million visits abroad and we just do not have the infrastructure here to accommodate that, and certainly not at a price that people are able to pay. Our members sell a lot of domestic holidays and we are very proud and pleased that they do that, but the idea that this could be in some way a substitute for international leisure travel, putting aside business travel, which is an important part of international travel as well, is not realistic. They are not substitute products. A holiday in the UK is a wonderful thing to have. It is not the same as a holiday overseas and people want to have that experience, so the sooner we can get back to, as I say, ideally unrestricted travel for leisure and business, the better.

Q504 **Harriett Baldwin:** Turning to Kate very quickly, have you seen among your members that some of them are not passing through to their tenants the cash that they have been given through the grant schemes? There seems to be a difference in terms of how some of the pubcos are behaving with that money. Some have been passing it through to their tenants and some have not. Have you seen a difference?

Kate Nicholls: We tend to represent the actual operators, who tend to be the business rates payers and the operators of the premises rather than the landlord companies. Invariably, those grants have gone directly to the business rates payer in hospitality, so they are receiving it direct. It is not coming through the pubco landlord, unless the pub company is the one that is paying the business rates. Invariably, in the case of our members, we have not found anybody who is having a grant withheld by a landlord company. It is coming direct to them because they are the person who has the operating relationship with the local authority.

Q505 **Harriett Baldwin:** There will not be any cases where tenants are not getting any help whatsoever, in your opinion?

Kate Nicholls: There may well be cases, but I am not aware of any within our membership that are failing to get Government grants to which they are entitled because it has gone to the landlord pub company. In the main, all of the Government grants to hospitality have gone to the business rates payer, so it would only be on those rare occasions where the landlord company pays the business rates that they are the recipient of the direct grant. The operator would then be able to apply to the local authority for a discretionary grant, but I have not been made aware of anyone within our membership that has had that problem. That is not to say it is not occurring, but I have not been made aware of that.

Q506 **Harriett Baldwin:** Mark, I am not sure I heard an answer to the question about the different restrictions in England, Wales, Northern Ireland and Scotland and whether they had been particularly onerous for the businesses that you represent.

Mark Tanzer: They are now pretty much aligned in terms of the traffic-light system and so forth, so we are pleased at least that there is growing communication between the devolved Administrations and Westminster in terms of having a common policy, because variations there will just add more confusion and damage confidence. In so far as those are now lining up together, that is a positive sign, but it means they are all hampered by the same obstacles that I mentioned at the beginning.

Kate Nicholls: I just wanted to come back on UK consumers travelling within the UK. Mark is right. We have resolved most of that now, but we did have a particular challenge, and it happens whenever you put in place a local restriction: you cannot get people moving within the UK. We had a period of time where English and Scottish visitors were not able to go to Wales and vice versa, and clearly that impacts on your ability to take bookings. While we had Glasgow and parts of Moray remaining under restrictions, that meant they had to cancel their bookings for customers who came from other parts of Scotland but also across the UK.

A consistency of approach around travel messaging and safety of travel messaging really helps, as does an acknowledgement from all of the devolved Administrations that if you put in place a local restriction it does not just affect the businesses that are local to that area; it has a wider knock-on effect on consumers looking to book a great British holiday.

Q507 **Julie Marson:** I would like to start with Kate, but if anyone has something to add, please raise your hand. I would like to unpack a little of the detail that you went into with the Chair in his original questions about the schemes available to your members. I specifically want to unpack your feedback on the recovery loan scheme and the pay-as-you-grow scheme. They are obviously for different purposes and you have alluded to the 10-year term that is required by many of your members. Can you give us a bit of feedback on those two distinct schemes, please?

Kate Nicholls: There has been a challenge all the way through for hospitality. The Government set out the loan schemes, but they are for the banks to administer. They are able to apply some of their normal commercial risk analysis to sectors, and there has been quite a lot of complexity that has gone alongside that. Throughout the whole pandemic, we have had repeated feedback from our members that they have not been able to get as big a loan and as long a term as they would ask for. There were lots of conditions attached to it. There are far more bounce back loans in the hospitality sector than there were CBILs, because CBILs had so many eligibility criteria attached to them it made it almost impossible.

There is a very limited appetite for investment risk in the hospitality sector. It is now seen as higher risk and, therefore, they are struggling to get the length of term they needed. Originally, most of them were getting loans for less than they asked for but for three-year terms. The most that we have seen as an extension is up to six years. I have not got an example from my membership that anybody has been granted a 10-year extension. Most of them desperately need it. They could also do with having a delay in the repayments starting. Loan repayments are kicking in from July.

We are also now seeing feeding through, as we go through into the next phase of the crisis and this bridging out of the immediate lockdown and into growth, a lack of appetite to provide finance as part of the recovery loans to the hospitality sector, so again we are going full circle to where we were in March or April of last year, with the banks imposing very strict eligibility criteria, running a very strict rule over the loan application and not granting as many recovery loans as we would like, or imposing quite significant restrictions on them. Access to finance has continued to be an issue, notwithstanding the fact that hospitality has been a big beneficiary of those loan schemes. About 7% of all the loan schemes, CBILS and the bounce back loan scheme, have been in hospitality.

Q508 **Julie Marson:** Is a big part of your feedback that, potentially, a gap has been exposed in the Government's ability to invest at speed and at scale directly into the corporate sector, in your sector, particularly, as opposed to it being intermediated through the British Business Bank and private banks?

Kate Nicholls: Yes. The Government intent is not being delivered on the ground because it has to go through the banks, and the banks are taking, as I say, a very cautious approach to hospitality. That is partly fuelled by the ongoing uncertainty around our sector. Until we get clarity and confirmation from Government about our reopening, our road map and removing those restrictions, that uncertainty is going to remain, and that impacts on investor, business and consumer confidence. It is all part and parcel of what is going on here, but yes, the general feedback is that the commercial lending banks that are operating the scheme from the British Business Bank are treating this as a normal commercial decision, as if they were guaranteeing 100% and they were on the hook for 100%. They are taking a very cautious approach in hospitality.

Q509 **Julie Marson:** You have spoken about the constraints on the hospitality industry in terms of social distancing and restrictions. We have also alluded to the fact that there is a lot of consumer demand out there. They push against each other. Do you think the level of corporate indebtedness, which you have mentioned, is going to be a longer-term constraint to investment, which is critical for any industry but for the hospitality industry in particular?

Kate Nicholls: The level of debt with which we are going to exit this crisis is going to have a very long shadow over hospitality's ability to bounce back more quickly. It is why we know that, when we survey our members about getting back to pre-pandemic levels of revenue, it takes as long again to get back to profitability. That is simply because for the next two years they are going to be paying down that debt rather than investing in growth.

You go from opening new sites and investing in new product, and you need to invest continually to keep your product and your sites fresh. That is going to have to go on the backburner and is going to be sacrificed for servicing the debt, because it is such a short period of time over which you are having to pay it down because of the terms under which you have been given it.

Clearly, the longer we are left in restrictions, operating at a loss and not able to break even, the longer it takes us to get to that recovery phase. We have already pushed back that recovery. You can bring it forward. You can accelerate it. There are mechanisms that you can use. If Government did give us that 10-year term, made those banks give us that 10-year payment term, if you had the approach that was given to the culture and heritage sector, where they had 20-year loans that were on very low interest levels, you can spread that debt over a longer period, you can get back to investing more quickly and you can focus on recovery rather than just paying down debts.

Mark Tanzer: On the grants and the access in particular, one of the frustrations and observations we have had is that they have been very tightly defined around physical premises and reduced capacity because of social distancing, whereas for a lot of businesses, particularly travel businesses, the problem has been that the Government have made selling the product illegal; you were not allowed to travel. That is why they have not been able to sell, not because the shop has not been able to open. That has not really been adequately reflected in the grant structure.

Our members were particularly exasperated and upset with the recovery grant scheme, where they found that as non-essential retail they were entitled to a maximum of a £6,000 grant, and yet, next door, personal care, which was up and running when travel was not, had a ceiling of £18,000. There have been some very strange inconsistencies in the design of the system, and the application of it has been very patchy. As I said, the sense we have is that it is very much focused around physical constraints on trade rather than regulatory changes that mean that people cannot travel.

Q510 **Julie Marson:** Perhaps I could follow up by asking you about insolvencies. To date, we have seen relatively few—surprisingly few, in some ways. Have we got zombie companies in the travel sector? Are you worried? To what extent would it concern you that Government support may be masking zombie companies?

Mark Tanzer: I am concerned about that. We have lost some very long-established and notable companies. Shearings, STA, which did student travel, and Cruise & Maritime Voyages come to mind. Some very big names have gone. Within ABTA, 30 members have gone into insolvency.

There is a delayed threat and overhang. A lot of deferred refunds are still out there. In order to make those good, companies have to have new money coming in, which is why we need a summer season. When people start to travel, the suppliers have to be paid, so the cash demands are going to build up as we go into the summer.

In some ways, the opening up of travel is as dangerous as the hibernation of it in terms of cash flow. It is critical that, as I say, people are travelling and new money is coming into the system as soon as possible in order to prevent bankruptcies.

As I say, I have anecdotal evidence of people who have been living on thin air for 18 months and they are right at the end of their tether. They are not crying wolf. They are down to their last redundancy. Their last member of staff has gone. The loan is due. They are being chased by lenders, with threats of bankruptcy. This is the here-and-now story of what it is like on the high street in travel.

Q511 **Julie Marson:** I would like to bring in Helen as well. There are almost an infinite number of options to think about. Some of the things we have heard are student-loan-type plans, where businesses would only start paying once they are profitable. George Osborne told this Committee that he was in favour of large-scale debt forgiveness, for example. Do you have views on what some of the options are to provide this longer-term bridge that you are walking over rather than crawling over?

Helen Dickinson: The situation in retail is probably slightly less acute than what Kate and Mark have described. The loan schemes and the duration of the debt itself is not the main issue that the retailers would highlight when they are talking about financing. The sorts of things that we have been discussing with Government are things like trade credit insurance.

There was a scheme put in place that will end at the end of June, so we are a little disappointed that that has ended at the end of June. The umbrella under which all the grants were put in place meant there was a whole lot of uncertainty around what the limits were, how much you could claim and how it sat differently across the devolved nations. I suppose it is a different point, but the issues were much more around how everything fitted together, whether it was the combination of trade credit insurance, state aid, the loan schemes and the grants, and it was issues in the implementation around the edges rather than a big systemic question in terms of the loan debt that is sitting in the industry.

I will perhaps leave it to Kate and Mark to come up with their best answer to your question as to what the solution might look like, because certainly from our point of view it is not top of the list. Business rates and the moratorium are still top of my list, rather than the debt overhang.

Q512 **Rushanara Ali:** Good afternoon. I want to start off by asking you all to talk me through, as the furlough scheme comes to an end later this year, what the impact will be on employment in each of your sectors. How much do you see redundancies becoming ever-increasingly prevalent? What will the scale of that be?

Mark Tanzer: We have surveyed our members, and 44% of them anticipate more redundancies as the furlough scheme tapers off. That depends very much on when the summer season gets going, but that was with a July start, which is probably quite early now, given where we are. I am more worried the longer the summer season is delayed. If we miss it altogether, that number will be considerably higher.

As of spring, we have already either lost or have at risk 37% of jobs within our area. In outbound travel that is about 88,000 jobs, and that is going to rise if the summer is delayed and there is no support, without a shadow of a doubt. We are at a very different stage of the recovery cycle to hospitality and retail, and the question earlier was whether there is upward pressure on wages. For us, we are still shedding workers rather than actively recruiting them until the brakes come off and demand comes back.

Q513 **Rushanara Ali:** You mentioned delays. If there was a delay of, say, two weeks, what would that look like in terms of impact on jobs versus, say, four weeks? Have you done any projections around that?

Mark Tanzer: No, we have not. As I said, the summer season, from May to September, is, in a normal, pre-Covid year, two thirds of the volume. This is not a high-margin business, so two weeks lost could be the difference, in a normal year, between profit and loss, frankly, for a lot of companies. At the moment they are already gasping for air, so every day counts. I do not know exactly how we would quantify the additional number of redundancies, but the longer you go, the higher the risk.

Q514 **Rushanara Ali:** For your sector there is interdependence with other countries and what happens elsewhere. Can you talk through what you think the Government need to be doing collaboratively with other countries to help create the climate for opening up, first of all, but also making that sustainable?

Mark Tanzer: We talked earlier about an interoperable common system of vaccine certificates that would have generally recognised acceptance and build confidence on both sides, for people travelling and for countries receiving people. That is important.

They need to make sure, as we did with countries, that, if tests are required, testing capacity is available in those countries, so that people travelling from the UK do not think, "I am going to spend the last two days of my holiday having to travel a long way, or I will have to pay a high price to get a test to return," so there are some very practical things that can be done on the ground to ease the situation.

As I said, for people returning to the UK or for international passengers arriving in the UK, we need to make sure that Border Force is properly manned and the systems are there, so that we do not have delays at the airports.

Other countries are speeding up their vaccination rates and are definitely showing an appetite to accept British holidaymakers. The obstacles are really on our side in terms of taking an ultra-cautious approach at the moment. We really need it to be risk-based going forward.

Q515 **Rushanara Ali:** I have a final one for you, which is about being risk-based. We all know it is not a trade-off. If the economy has to shut down again and if it is not sustainable, that costs jobs as well. There is a broader debate ahead of the G7 summit about vaccines in countries that have very limited amounts of vaccine access, and global travel is not just confined to rich countries that can buy vaccines and get their populations vaccinated. Do you have any reflections on how it will impact on your sector and the travel business more broadly if we do not get the world moving and vaccinated?

Mark Tanzer: It is a very big issue. The Government strategy at the moment is based around variants of concern that arise. I am not an epidemiologist, but those are much more likely to arise in countries where there are relatively low vaccination rates and where the virus has the opportunity to mutate and spread among people who have not been vaccinated. Logic would say that the sooner we can get the world vaccinated, the lower the incidence of variants of concern and the easier it will be for us to travel. It is absolutely linked to that macro-objective of world vaccination if we are not going to have repeated setbacks and shocks where a new variant arises. We do not know whether it is going to be able to be dealt with by current vaccines. That will put everything back again, so the two go together very closely.

Helen Dickinson: There are 3.1 million people working in retail. The numbers are a few months out of date because they do not publish them on a sector basis that regularly, but there are somewhere between 300,000 and 500,000 people still on furlough, or certainly were in February or March. Again, retail does not have the same severity of some of the issues that Mark and Kate will highlight.

There are two points. One is about what happens when the scheme ends, as long as we are not back in any form of restrictions. If we end up with parts of the industry needing to close again, obviously there will be an effect on job losses. It cannot be an independent decision of what the restrictions might look like that sit around it.

Secondly, the number of job losses that we may see in the future is, in the round, dependent on all the things that we have been talking about during this conversation, so coming back to the rent moratorium, the space for tenants and landlords to negotiate that outstanding rent debt and what happens from the Government's perspective with the review of business rates. Those are the sorts of things that will impact what effect we have in the short to medium term in terms of numbers of job losses. I think 67,000 was the number between December 2019 and December 2020 in terms of jobs lost, but in the scheme of 3.1 million, while I am sure every one of those is a really desperate situation for the person involved, it could have been so much worse.

It is all to play for in terms of what happens now and what decisions are taken now so that we do not squander any of the benefits that have been generated through the decisions that have already been taken.

Q516 **Rushanara Ali:** If the Government did the things that you need them to do, by how much would you expect unemployment to grow in terms of the numbers who end up being made redundant at the end of the furlough period?

Helen Dickinson: I would expect that the trajectory we were already on, which is a slow reduction in the number of people employed by the industry, would continue. That was a pre-pandemic trend. Again, coming back to what we were talking about right at the beginning, it is to do with the transformation in the way that people shop. The nature of skills in retail in the future will be different and there will be fewer jobs in the medium to longer-term future, but that was a pre-pandemic trajectory as opposed to one caused by what has happened with Covid.

Q517 **Rushanara Ali:** Sorry, my question was about what would happen if the Government did the things that you just listed to mitigate the risks in the Covid context. You think it would keep unemployment down quite dramatically, but what sort of numbers would we be doing if they do not do as you tell them to do?

Helen Dickinson: I do not deign to tell them; we encourage them to make good decisions. Again, any closures or curtailment of operations are jobs that are connected with those premises. If the costs and economics of those premises stop working, they will close them and that will have consequences for jobs. That is why what happens with rent and rates is so important.

In terms of what the numbers are, we have not made an attempt to quantify it, but there is no doubt we are talking about tens of thousands of jobs. Given that we know the number of people still on furlough is in the hundreds of thousands, it is those jobs that are at risk of going one way or the other.

Kate Nicholls: I will try not to repeat what Helen has just said. I will try to give it a hospitality flavour, because we have done some of the calculations about what the impact would be in terms of job losses if the Government do not get the right decisions in place. I would just start by saying that the decision point of getting those decisions right is now. It does materially matter for our businesses if you delay it for just two weeks. It will have an impact straightaway on jobs in the sector.

It is not about when furlough ends; it is about when furlough costs start to increase, and they start to increase quite dramatically from 1 July. The reason we have lost so much money in hospitality over the last five months is that it has cost our businesses to administer furlough for the Government, and the grants have not touched the sides in covering those PAYE and NIC costs and the amount that we have to pay. We are currently paying 5%; it goes up to 10%. If you have no revenue coming in, you cannot afford to do 10% of nothing.

The only point of flexibility in hospitality is your labour line. Everything else is a fixed cost that has to be met—rent, rates and all those things. The only thing you can do is to get rid of labour, so that is going to be an immediate impact. If restrictions do not end on 21 June and we are not moving into profit, from 1 July we are paying business rates. We have a £93 million bill that will hit the hospitality sector in terms of business rates, and you have your furlough costs increasing. That is where it starts to become unsustainable straightaway, so we cannot have that.

Q518 **Rushanara Ali:** If there is a scientific basis for delay, they need to tell you now. Is that what you are saying?

Kate Nicholls: We understand that we will get told on 14 June. If there is a scientific basis for delay, we need to have the transparency, so we know what needs to change within those two weeks; otherwise, forgive us for not believing it will be two weeks. We cannot simply take it on trust. We need to know what the metric is that needs to change in those two weeks to be able to take it forward, and then we need a simultaneous announcement of the support being extended.

In Scotland, Wales and Northern Ireland, 100% business rates holidays have been given to hospitality for a full year. It gives those businesses breathing space to avoid having to make the tough decision between paying taxes and paying people. In England we do not have that luxury. We will have to pay our taxes from day one. What we need to have is an announcement that those support measures will continue.

In terms of the question that you asked about how many jobs are at risk as a result, we have brought back about 1.2 million workers from furlough in hospitality. That reflects the heavy staffing costs that we have in administering those restrictions. About 500,000 are on flexible furlough, so their wages and the hours they are employed, therefore, are determined by the needs of the business. That leaves about 200,000 or 250,000 still protected by full furlough. It is those jobs on full furlough and those on flexi-furlough that are most at risk, depending on how long the restrictions go on for and how long it takes for us to reopen. It is the sectors of the economy that are in hospitality that are most affected by those constraints, so nightclubs, events venues and wedding venues, none of which can operate legally or in full. Those are the ones that are most challenged by any delay to 21 June, as well as our supply chain.

We have talked a lot about international travel. International travel is not just about British people going on holiday; it is about visitors coming and spending money in the UK, in our towns and city centres. International tourism is our third largest export earner. Foreign tourists spend more in pubs, restaurants and hotels in your constituencies than all of our food and drink exports put together, so that will have a knock-on effect, the longer it takes for international travel to come back. It is not just about us going on holiday over August; it is about those people coming in and spending money in our constituencies, and getting the hotels, pubs and bars and hospitality moving in those town and city centres. Again, the longer it takes to bring back that international tourism, the more that those jobs are at risk. That is the quantum of the jobs at risk. It will be between 250,000 and 500,000.

Q519 **Rushanara Ali:** I have one last thing on that. The likes of Tim Martin, the Brexit-backing boss of JD Wetherspoon is now reportedly saying that there should be visa schemes to allow EU migrants to come back in. I hope he is eating lots of humble pie if he is talking about particular sectors that need foreign workers to come and work to sustain our businesses. How does this sit with the 250,000 that might face unemployment? What is he talking about?

Kate Nicholls: What I have just painted for you is the worst-case scenario, in which we do not get our businesses open and businesses are kept legally closed. There is still a significant proportion of hospitality—25%—that is closed by legislation until 21 June at the earliest. This is not just about easing restrictions in factories or on public transport; it is about businesses that cannot open yet.

The worst-case scenario is that that is extended and the support is not extended. The quantum that is then at risk, if you do not get the rates, rents and furlough support extended, is 250,000 to 500,000, depending on how long it goes on for.

The best-case scenario is what you have described. We start to reopen the economy. We get to 21 June. We lift those restrictions. We can start to be profitable for the first time in 16 months and we can trade our way out of this. We protect those jobs that are on furlough. We take on more new people, particularly young people, as we expand and grow out of this. Then you will minimise the job losses.

We are at about 5% unemployment. Unemployment has not grown as much as anybody anticipated. We will then get, towards the end of the year, to a labour shortage that we knew we were facing in December 2019. We knew we had insufficient labour. Fundamentally, over the course of the crisis, 1.3 million foreign workers, not just EU nationals, have left the UK, are stuck abroad and cannot come back, even if they want to, because of travel restrictions, so there is a shortage. Australia, recognising the importance of hospitality and tourism to its economy, has introduced an emergency coronavirus recovery visa, so that is one thing.

Rushanara Ali: I am going to have to end my questions here, but I suppose we are going to have to switch to a charm offensive to migrant workers, unlike the hostilities that we have had for the last few years, which is down to the likes of Mr Martin and others in the Brexit debate. When there is a labour shortage, which we hope there will be because our people will be made employed and kept in their jobs, we will need a positive narrative on the economic benefits of those who need to come to fill the skills shortage. Thank you all very much for your contributions.

Q520 **Felicity Buchan:** It is great to see the panel; we have seen at least Kate before. I am going to move away from reopening the economy and talk about the effects of business investment and taxation on your sectors. Specifically, the Chancellor introduced in the Budget the changes to corporation tax and the super-deduction, but also you have what is out there at the moment: there is an ongoing consultation on business rates, and an online sales tax was in the news at the weekend. I will just ask one general question to start off with, and I will take you all in turn. Do you think, through taxation, the Government are doing enough to stimulate your sector? That is specifically through taxation as opposed to opening up the economy.

Kate Nicholls: The obvious answer on corporation tax and the super-deduction is that you have to be making a profit for that to be helpful for you, so we look forward very much to getting back to a situation where hospitality businesses can be in profit and then that super-deduction will act as a stimulus to the economy and will act as a stimulus to bringing forward investment, particularly in our kitchens and hotels, et cetera.

The big outstanding one is around business rates. That is the issue we need to look at very quickly. As Helen said, we have kicked the can down the road a little too long on the business rates question. We need root-and-branch reform, because we are just putting off a situation where full business rates resume. At the moment, you have business rates kicking back in in April next year at the highest levels they were at across the high street and in the property market.

We need that international rebalancing and we need that rebalancing across the whole of the economy, so we can look at business and corporation tax not as separate entities but as part of a whole, so we can look at what the best way is to tax these businesses and how we get a supportive tax regime that encourages investment. For our sector, when we are in survival mode, it is still too early to answer the question that you asked, which is whether we have enough to incentivise it. With businesses clinging on, we are not quite there yet.

Q521 **Felicity Buchan:** You mention a scenario where, in some way, you combine business rates and corporation tax. Do you have ideas in mind as to how you go about doing that?

Kate Nicholls: Sorry, I was meaning more that you look at the total balance of taxation that you are taking from the business community. Obviously, you have changes in corporation tax for certain types of business. For businesses like hospitality, which are property-based, tend to be located in the country and tend to be, therefore, paying corporation tax in the country and paying VAT, you have a high tax take that is coming. Pre-pandemic, £1 in every £3 that we took over the counter went back to the Exchequer in the form of taxes. You need to look at whether that taxation model is sustainable, how much you are getting from the online side of the business, how much you are generating from the property side of the business and where the balance of taxation rests, rather than combining the corporation tax and the business rates system in one.

Felicity Buchan: I thought you may have some great, novel idea. Thank you, you made that very clear.

Helen Dickinson: The Treasury has a difficult job. There is no doubt that the tax system that we have is no longer fit for purpose in a modern, international, global, digital world. What we have in this country is an overreliance on property taxes, hence the discussion about business rates. I know we keep coming back to it, but we keep coming back to it because we have been coming back to it for as long as I have been at the BRC, which is eight years, and that conversation has been ongoing even longer than that. There has been review after review, with cans kicked down the road for a long time. It really feels like this has to be the moment. The whole reset of the pandemic surely must be the time when we need to reduce the burden of business rates and make the rates system, assuming it stays in its current form, reflect market realities much more quickly. If we could do those two things, it would go a hugely long way to sorting out the disproportionality of taxation that is reliant on property. That would be the first point.

The second point is that the international developments on global taxation of multinational businesses are very interesting and should be embraced. This is something that can only be done by international agreement, otherwise, because of the way national economies work, it would just mean that companies can continue to move profits around different parts of the world in order to mitigate some of the impact. International agreements on multinational businesses is a really important step, so it is great that the OECD and now the G7 are really taking that up.

In terms of corporation tax, I would echo a little of what Kate said. People have not been up in arms about the increase in corporation tax, because the comment that always comes back would be, “It would be nice if we were making enough profit to worry about it.” The only thing I would flag is what it means in terms of international investment. From a national economy point of view, we need to make sure that we are not out of line, but that ties in, again, with what is happening on the OECD front, if there does end up being some sort of minimum tax rate.

Q522 **Felicity Buchan:** Many of your retailers have property on the high street, but a lot of them have developed their online offerings. Do you have any concerns about the online sales tax?

Helen Dickinson: It is a topic of much debate. Certainly, most retail businesses do not support an online sales tax, because it would end up with a situation where you have double jeopardy. You get taxed because you have property and now you are getting taxed due to digital sales as well. The feeling among the majority of retailers is that it is a tax on innovation and it is an old way of thinking about what we are trying to encourage, because the UK is a market leader in e-commerce. Having said that, there are some businesses that think it is a good idea.

Certainly, from my point of view, the real thing that we need to take into account is what I said earlier, which is that physical and digital retailing are much more interconnected than they were even a year ago, and that is a trajectory that is only going in one direction. What we should not do is try to solve yesterday's problem. We need to be thinking about what the economy of the future looks like and having a tax system that is fit for that purpose. That does not mean taxing different channels differently. It means looking across all those taxes and making sure how they all fit together in terms of the taxes that people pay is relevant and fair across those industries.

Felicity Buchan: Let me pose the same question to Mark. Mark, it is good to see you. I have a couple of very well-known travel companies headquartered in my constituency, so it is good to have you here.

Mark Tanzer: Thank you. I echo Helen and Kate. Corporation tax is not top of mind for our members who are clinging on for survival, and the super-deduction is more relevant to capital-intensive businesses than travel organisers. There are a couple of areas where the Government could make some fiscal changes that would send a strong signal. One is VAT on testing costs. This was a revenue stream that did not exist before testing. When we are trying to get people travelling and we know that there are costs involved, that would help.

Air passenger duty has long been a bugbear of the industry. We have this very high level of aviation tax for people departing the country. Now of all times, exactly as we said for the hospitality sector, we want to encourage people coming into the country and we want people to travel overseas. Air passenger duty seems to me to be a pretty useless tax. It has never been used for environmental purposes. It is part of general taxation. The case now for at least a holiday from air passenger duty is very strong, to get people confident and for the Government to send a signal that they actually want people to travel.

Q523 **Felicity Buchan:** To what extent are your SME travel agents also concerned about business rates?

Mark Tanzer: They are very concerned. As I say, they have been living without any income for 18 months. Whether it is VAT, business rates or costs, they are literally scrambling to find the cash, so a deferral of that, as I said, alongside VAT is almost indispensable if they are going to come through this.

Q524 **Alison Thewliss:** I would like to ask a few questions relating to insurance, because I realise it has been a problem at the start of last year. Following the September court ruling on the FCA case and business interruption insurance, I just wondered where things now stand with the majority of your members. Have those that required pay-outs now got them, or are people still waiting?

Kate Nicholls: Sadly, there are still an awful lot of people waiting for their payments to come out as a result of that court case. There are subsequent court cases going through as well, because obviously the FCA ruling only referred to those precise cases with the precise wording, but even there, for that small proportion of the market, not all the businesses have received those pay-outs yet, so there is a delay.

Secondly, you have insurers who were not part of that case who have similar wording and are, again, making companies go through the courts in order to get that, so it is not a pragmatic discussion around settlement of claims.

Thirdly, I would identify that about 55% of our members have said that they are struggling now to get insurance, so you cannot now reinsure. We are in renewal periods. Nobody is insuring you. You cannot get insurance for Covid. It is difficult to get insurance for pandemic risk. We are seeing a higher rate of premiums coming through for insurance generally in the sector for lower cover, so that is employer's liability, director's liability and public liability, not just the pandemic insurance.

You then have two specific specialist insurances that are just not coming back into the market yet. Helen has touched on one, which is trade credit insurance. You have an unwillingness to insure there, and if you are in the events, conference or live music industries, you cannot get insurance for those events either. There is a real problem that is emerging around a reluctance of the insurers to come back and insure the sector, and an increased set of costs and little pay-out. I know I sound like a stuck record, but I am afraid it goes back to not having any certainty around the future of the sector. We do not know when we can reopen. That is hindering insurance provision.

Q525 **Alison Thewliss:** Do you think we are at the stage where there is a market failure in some of those aspects and that the Government should be looking at some kind of Flood Re-type cover, or "Pandemic Re" cover?

Kate Nicholls: If we are going to get weddings, events, conferences and live music back up and running, we need to look at that. Your sister Select Committee, the DCMS Select Committee, did look at recommending a Government-backed insurance scheme. The Government scheme on trade credit insurance worked really well. It is very disappointing that it is being withdrawn now, just at the point that businesses are going to need it most.

It is probably too early to tell whether there is going to need to be an equivalent to what we had 10 or 15 years ago with terrorism insurance, where the Government had to step in as insurer of last resort. It is possible that might need to be the case going forward, but we will have to wait and see how the market develops as we come out of this crisis.

Q526 **Alison Thewliss:** Helen, has that been a particular issue for your members as well?

Helen Dickinson: Yes, although I do not have anything to add to what Kate said. I will just reinforce the reporting of increasing premiums as a theme that is coming through. That is probably not really a market failure. That is the market reflecting the increased risk in terms of the backdrop. I have nothing more to add. Kate has highlighted it well.

Q527 **Alison Thewliss:** Mark, are there particular aspects of it that have hit the travel insurance industry or businesses within the sector?

Mark Tanzer: Yes. On the business interruption insurance, we had quite a few members apply for it and have it, but very few have been paid out under it, with deductions for furlough payments and so forth. It is certainly not the solution to getting people through the crisis.

More generally, the financial sector has taken a pretty dim view of travel at the moment, whether it is credit card companies demanding higher levels of security or withholding cash, or where travel companies have to provide failure insurance or bonds; that is a very tight market now. Again, it comes back to the point Helen was just making. It is about confidence. There is nothing wrong with travel and people want to travel, but they need to be able to see that the market is starting up again before the financial sector starts to take a more benign view and the costs of insurances come down.

Q528 **Alison Thewliss:** Can you tell me a bit more about how travel insurance has been affected by the pandemic? Have rates gone up or are people just not able to get it?

Mark Tanzer: For retail travel insurance for people travelling, it just disappeared altogether from the market when Covid arrived. Some policies are now back with cover for if you are travelling and fall ill, which is good. There is very little in the way of cancellation insurance or disinclination-to-travel insurance. If you need to be repatriated and you have a medical condition, there is cover coming back into the market, but for quite a while at the beginning there was no cover at all for Covid, on the basis that it was a known risk.

Q529 **Alison Thewliss:** I understand ABTA launched a new travel insurance offer covering against getting coronavirus and having to isolate. Is there an opportunity here for new types of travel insurance products, given the situation we are going to be in for some time?

Mark Tanzer: Yes, there is an opportunity for companies to innovate. I hate to say that we are going to have pandemics in the future, but we are now aware of what can happen at fairly short notice in terms of sudden changes in health policies. Individuals and companies will think about how they can insure themselves against that. Yes, it has changed the landscape for insurance and travel insurance, and we will see some more innovation coming through.

Q530 **Alison Thewliss:** ABTA has written to the Committee regarding problems that travel agents are facing with the chargeback card payments regime. Can you give us a wee bit more detail on the problems that this particular issue is causing and how those would be resolved, in your view?

Mark Tanzer: We have written to the FCA. This is not about the principle of chargeback, which we support. It is important that when customers have a problem under Section 75 they can get their money back. What we have seen is that merchant acquirers are putting the chargeback through so late that the travel companies have no ability to challenge or question them, so effectively it has been deducted before they have even had a chance to make an appeal. It is about how the system is working rather than the underlying principle. We have written to our members to get more evidence of the scale of the problem, but certainly we are getting that reported back from them.

Q531 **Alison Thewliss:** That is useful to know. I wanted to ask something else as well, because it has not quite been touched on so far. You mentioned the price of domestic travel in answer to my colleague Harriett. I know you have had a long-running campaign about cutting VAT for tourism. I am sure Kate will want to say something about hospitality, too, on that front. Do you think it would be a good opportunity for the Government to keep that 5% rate and let more people benefit from it? What impact would that have?

Mark Tanzer: This is Kate's area as well, but we would support that. The destinations people are travelling to and the people organising it are in need of any help they can get on this. Anything that keeps the cost down for the customers will help in that.

Kate Nicholls: The single biggest thing that the Government have done to help the sector through this crisis, which has helped to support and sustain jobs through the crisis, has been to introduce a lower rate of VAT for tourism services, originally at 5%; it is due to go up to 12.5% in September and then come to an end in March. If you want to remain internationally competitive and attract people to the UK, if you want to give British customers great British value with a holiday in the UK, if you want to address your balance of payments deficit and if you want to boost your tourism receipts and export earnings at the same time, the best way to do it is to maintain a lower rate of VAT.

Making that a permanent lower rate of VAT for tourism services would help the sector recover more quickly, it would help to sustain and maintain those jobs that we are all interested in, it would help us to invest in our people and it would make sure that we can invest in our communities. It is the most deprived parts of the UK that have the biggest potential to benefit from tourism investment and domestic tourists coming and having a good British holiday; I hate the word "staycation," because "staycation" means you stay at home. It would be those parts of the country that would benefit the most.

Q532 **Alison Thewliss:** It is maybe a wee bit early to say what the impact has been so far, but are you aware of any data on the impact that the reduction to 5% has had and, conversely, what effect putting it back up to 12.5% or to the full rate come March would have, because clearly most people are going to be staying at home for the time being and holidaying nearer to where they live?

Kate Nicholls: We have done an initial assessment to look at retaining the 5% rate of VAT ahead of the March Budget. It was due to run out earlier than that. We know it has helped to minimise job losses within the sector. We knew there were about 1 million jobs that were vulnerable in the sector at the start of this year when we were into the prolonged closure. It allowed us to bring back more of those people into work, and it has been used primarily, over the course of that period, to sustain and maintain jobs for those businesses that have been able to continue trading during that time. Certainly, within our domestic tourism industry, it has allowed the seasonal tourism industry to come back stronger and to be able to operate at fuller strength from 12 April, when they resumed trading.

Initially, over the course of last year, when we were operating, we did see that VAT cut passed through to customers. It was passed through to customers in 75% of businesses. Again, it is a bit like corporation tax; you do not benefit from a VAT reduction while you are closed and not trading, so it makes sense to extend it and prolong it. If we could get it made permanent, it would help to underpin jobs and a quicker recovery. The quicker hospitality bounces back, the quicker the economy will bounce back.

Q533 **Alison Thewliss:** I just wondered if Helen had anything to add, because if people are shopping on the high street and having a bit more money to spend, that might have a positive impact. I know there have been calls for people in the beauty and hairdressing sectors to have a VAT cut also.

Helen Dickinson: There is a mutual benefit for vibrant places, whether that is hospitality, retail or services that sit around them, from haircuts to nail bars. How we ensure the businesses that operate there are given the backdrop that they need, whether that is around the communication, the consistency, what is open, what is not and all of the support, is holistic in terms of how it all fits together. Anything that encourages people to come back to places is a good thing.

Certainly from a business and retail point of view, retail sales, going back to what I said right at the very beginning, is a complete mixed picture, depending on categories of products that are being sold. Computers and electrical appliances are up 15%, 20% or 30% on two years ago, because we are all spending more money on working virtually and our homes, versus clothing and footwear, which is still significantly down. It is a mixed picture across different parts of retail, but anything that encourages confidence and encourages people to be spending more widely is good for the recovery and good for the industry.

Q534 **Mr Baker:** I refer to the declarations I have made relating to the Covid Recovery Group. We do not quite come to the quickfire round, but what I am hoping to do is to canter through a bit of a recap of some of the implications of what we have heard. First of all, can businesses in the hospitality and travel industry, in particular—I think retail is in a different place, but you can perhaps confirm that in a moment—survive in the short to medium term if what the Government call the baseline restrictions, such as masks, track and trace and social distancing, even in some kind of reduced form, last indefinitely following the 21 June lifting? Can your businesses survive?

Kate Nicholls: Not if they are long term, no. NHS Test and Trace and face masks, yes. Social distancing, with the one-metre rule, table service, table ordering and capacity caps, no. We are not viable in the medium term. For many of those businesses, they are not viable in the short term.

Q535 **Mr Baker:** How long do you think we have before we start feeling those major redundancies?

Kate Nicholls: You will probably start to see it in SMEs almost immediately if those support measures are not extended in July. If we have the announcement next week that the restrictions remain in place for the foreseeable future, you will start to see business failure, insolvency and people handing back the keys very quickly. In terms of longer-term redundancies, you probably have two to three months. That is the maximum you have.

Q536 **Mr Baker:** Mark, while we have been sitting here, Matt Hancock has, I understand, stood up in the House and talked about restoring international travel in the medium term. Tell me about businesses' ability to survive.

Mark Tanzer: If we stay where we are now, a lot of businesses will not be around in the medium term. They need this summer. They missed last summer. There has been nothing happening at the beginning of the year and they cannot go another summer without any trade. I am not quite sure what the Secretary of State means by the medium term, but I think we are talking weeks here, not months, in terms of how long these companies have before they run out of money.

Q537 **Mr Baker:** Helen, what if these baseline restrictions go on? What does that mean for retail?

Helen Dickinson: You are right in the way that you posed the question. It is less critical for retail than it is for the other two industries. The other decisions that we have been talking about—moratoriums and rates reviews—are more critical over the coming months and years rather than a cliff edge of 21 June for retail.

Q538 **Mr Baker:** The Government are spending an enormous amount of money; we will not get into where that is coming from. How aware do each of you think the public is of the problems facing your industry? In particular, do you think the public realise that what you are saying is true, that these businesses are going to fold if we keep drifting on with restrictions after 21 June? Mark, do you think the public understand that the travel business is not going to be there for them?

Mark Tanzer: No, I do not. Maybe they are thinking more narrowly about what they want to do with their travel arrangements and when they can travel, without thinking of the economic knock-on effect of people not travelling. What I hope is that the Government can take action now, so that we do not have to wait until they fail before people realise this is what is going to happen.

Q539 **Mr Baker:** Forgive me, Helen, if I go straight to Kate and then move on to the next thing, given what you have said. Kate, do you think the public understand what this means for their favourite pubs and restaurants?

Kate Nicholls: No, I do not. You have people saying, "What is the problem? Why can you not be with restrictions for a little bit longer? You are open." There is not the understanding of how much of a loss we are sustaining every day that we are open and how much of a loss we have sustained over the last 15 months. Some £280 million a week has been lost to the hospitality sector. We are just a third the size that we were pre-pandemic. We have lost £87 billion-worth of revenue. We have no gas left in the tank. They are existing on fumes. People assume that, because we are open, it does not matter about restrictions and it does not matter because furlough is protecting the jobs. We are rapidly reaching the end of the road and will hit a brick wall very quickly.

Q540 **Mr Baker:** We think the public do not understand that?

Kate Nicholls: No, I do not think the public understand that and I am not sure how much of an understanding there is among a large number of politicians or civil servants either.

Q541 **Mr Baker:** I share that sentiment. Mark, we have just had this debacle over Portugal. To what extent do the rules that the Government put in place determine where the public go abroad? I think I know the answer to this question, but what is your view? To what extent do the Government's rules direct demand for travel?

Mark Tanzer: Very much so. The restrictions have a very immediate impact on booking levels. As I said earlier, the mixed messaging about not travelling for leisure purposes immediately had a dampening effect. The Government can turn travel off very easily, as they have done.

Q542 **Mr Baker:** What does it mean for the public and for businesses if the Government's rules about travel are shifting and uncertain and get reversed after people have made their decisions?

Mark Tanzer: It is extremely damaging to confidence to book. Probably the most essential component the travel industry needs is people confident to book and that they can travel. That is at a very low ebb at the moment.

Kate Nicholls: It also has a knock-on effect domestically. As soon as there are announcements about international travel or what you can do, you will have cancellations in the domestic industry, too, because consumer confidence is really fragile at the moment and there is a high degree of uncertainty. Therefore, you see immediate impact. When the Prime Minister stood up on 14 May and made a statement about the Delta variant, we immediately had cancellations in restaurants and pubs, but also domestically for holidays. It does not automatically translate that because you have a statement about Portugal, they will book for Cornwall, High Wycombe or Scotland.

Q543 **Mr Baker:** We just had a former Prime Minister go on the Marr programme and call for people's freedoms to be different, depending on whether they are vaccinated, to encourage them to go and get the vaccine. Do you want your member businesses to be in the business of discrimination based on vaccine status?

Helen Dickinson: No. They are already on the frontline in terms of encouraging mask wearing. That is already a flashpoint in terms of violence and abuse against people who work in retail premises. We do not want more barriers to customers being able to shop in the way they want, which will lead to more flashpoints like that. That would be bad for confidence, which we have just been talking about, and bad for businesses.

Q544 **Mr Baker:** Kate, you were shaking your head, but would you like to put some words around it?

Kate Nicholls: No, we do not want to be doing that. It adds very real costs to our businesses for administering any such scheme. There are legal challenges and complexities arising from age discrimination, sex discrimination and race discrimination that we do not want to have to be dealing with. Fundamentally, the vaccine programme, the vaccine rollout, the relatively low prevalence of the disease that we still have and the low level of hospitalisations should not mean that we need to have that in a domestic situation. We do not think it is viable and practical for us to do that. Like Helen, we do not want our staff to be on the frontline of having to administer it.

Q545 **Mr Baker:** Mark, I think we all believe that the requirements of destination countries will somewhat force this issue upon us, but what is your industry's view?

Mark Tanzer: It is slightly different for international travel, where it is almost a right for people if they have been vaccinated and a country says, "You therefore do not need to provide a test," to be able to demonstrate that and avoid the cost of a test. I would say this has been in existence before Covid; vaccination certificates have existed for a number of diseases and requirements—yellow fever and so forth—so it is not new in principle. The scale of it is now different.

Q546 **Mr Baker:** I certainly have my yellow fever certificate from Hong Kong years ago. You have made it very clear that there is no substitute for actually doing business, but to what extent do you think Ministers adequately considered the impact on your businesses and on the wellbeing and health of the owners and employees of those businesses? To what extent did the Government adequately consider all those factors when making policy, do you think?

Mark Tanzer: We have put in a letter before claim, which is the first step towards a potential judicial review of the Government's approach to the travel sector, on precisely the grounds that they did not consider what the impacts of their own regulations and restrictions have been on the sector. There was no economic impact analysis, and certainly that did not feed into the design of the grant scheme. Those are the grounds on which we are currently challenging the Government. We have written to them and we hope to hear a response this week. Our position is that they did not take into account their own policy decisions' impact on the industry.

Helen Dickinson: I have a slightly different view. We saw Government engagement, at times, at its best. We saw partnership, collaboration, listening and acting at times. In the height of the emergency there is no doubt that that is what happened. Every business is thinking now about how we keep the good things when we come out of this emergency. My message would be, "Why can we not ensure that that way of working that was is the way of working that is and that will be going forward?"

I worry because there are already signs that we are reverting back to the previous modus operandi. With so many of these things, the devil is always in the detail around how they are implemented, who they apply to, whether they are practical and whether they are workable. That is the case in talking about policy making more generally, not just Covid-specific. Surely that has to be a way to get better outcomes than perhaps we had in 2019 and before.

Q547 **Mr Baker:** I am out of time but I must just come to Kate. To provide some context, I always remember the problem of people on tronc finding that they are on 40% of what they usually expected to earn and not 80%. Do you think the Government adequately considered all of the impacts on people in your industry when making policy?

Kate Nicholls: Like Helen, at times there was very good dialogue and engagement; we were able to input and explain that. At other times, no, it was very poor. Quite clearly there were times, if you think about the curfew or the substantial meal requirements, when they did not take into account the economic impact on the industry.

Like Helen, we have had fantastic engagement with some of our Departments that sponsor us, such as DCMS and Defra—BEIS has set up a new hospitality division—but it all feeds into the centre. At times that engagement and that understanding has not been as good as it could be.

It is very difficult to answer your question honestly and truthfully because there has been a lack of transparency. We do not have an economic impact assessment; we do not have a broad-based impact assessment of any shape or nature for us to be able to answer your question with any veracity, because we simply do not know.

Mr Baker: Thank you very much. You have all made an excellent case for the new public health Act that I have been articulating. I am very pleased. Thank you very much.

Chair: That brings us to the end of this session. Could I thank our witnesses very much indeed? It has been a really excellent session. All of you have communicated very powerfully and succinctly the real challenges that those who you represent have faced, are facing and will face as we hopefully go into further opening up the economy and see further economic recovery.

We have covered a huge number of different issues in this session. Rent arrears featured very strongly, along with loan schemes, corporate indebtedness, investment, taxation, including on many occasions business rates, insurance and the important issue of what the Government are going to announce on 14 June as to what will happen on 21 June, which we are all agreed is going to be critical to what happens to all the businesses you represent over the coming months. Thank you very much indeed for all your input. That has been really excellent and is much appreciated. That concludes this session.