



# Select Committee on Economic Affairs

## Uncorrected oral evidence: Employment and Covid-19

Tuesday 15 September 2020

4.05 pm

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Members present: Lord Forsyth of Drumlean (The Chair); Baroness Bowles of Berkhamsted; Lord Burns; Viscount Chandos; Lord Fox; Lord Livingston of Parkhead; Lord Skidelsky; Lord Stern of Brentford; Lord Tugendhat.

Evidence Session No. 4

Heard in Public

Questions 30 - 36

### Witnesses

**I:** Kate Nicholls, CEO, UKHospitality; Marc Crothall, Chief Executive, Scottish Tourism Alliance; Jean-Philippe Monod, Vice President, Government Affairs at Expedia and Vice Chair, UK Short Term Accommodation Association.

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## Examination of witnesses

Kate Nicholls, Marc Crothall and Jean-Philippe Monod.

Q30 **The Chair:** Kate Nicholls, Jean-Philippe Monod and Marc Crothall, welcome to the Economic Affairs Committee. Can I ask you a very general question? As briefly as you can, could you explain how you see the main challenges facing the UK's hospitality and leisure sectors?

**Kate Nicholls:** To summarise, we have four key challenges as a sector, coming out of the Covid crisis. First, a substantial part of our business, either total businesses or parts of business activity, is still closed by legislation. We are the remaining sector of the economy that is still subject to mandatory closure, in particular nightclubs, music venues and entertainment, but also events, conferences, banqueting and functions, which form a large proportion of revenue, particularly in the hotel sector, as well as in high street hospitality, pubs, bars and restaurants. A large proportion of revenue and profit would normally be driven by those activities as we come into the busy trading period of Q4, which is our second season. They are still closed by legislation and therefore unable to trade at all.

The second challenge is soft consumer and business confidence, which is impacting upon demand, particularly in relation to a return to public transport, the office and city centres. There is a real challenge for our town and city centres. Related to that are the artificial constraints on our demand, which cap our ability to maximise revenue. Many businesses that are not subject to closure or soft demand in the office and city centre, and have been doing reasonably well since reopening, face an artificial constraint due to the continued social distancing requirements. At best, they are at 60% to 70% of normal revenues, earnings and productivity, which is around breakeven point.

Finally, we face those constraints on demand—legislative constraints, confidence constraints and artificial constraints that are specific to Covid—continuing for a period when our high fixed costs, particularly rent but also business rates and the resumption of business taxation, are starting to re-emerge as we come to the start of our, I hope, busy trading period next spring.

Those are the main challenges. How do we grapple with a continuation of legislative constraints on demand, coupled with a winding down of government support schemes ahead of a resumption of high fixed costs? Those are the tricky balancing acts that we have to manage.

Overlaying that, we obviously have a challenge with international tourism numbers. International travel is constrained for quite a long period. About £30 billion of our £130 billion UK hospitality revenue is inbound foreign tourist earnings. We face the prospect of that being wiped out, effectively for the whole of 2020. That is the overlay, but it is our core domestic hospitality that faces the specific challenge going forward.

**Jean-Philippe Monod:** I would add to Kate's comments a couple of points from the platform perspective. Expedia operates as an intermediary. Since March, we have seen volumes dropping by 85%. We saw a small growth in our figures over the summer. The UK was a bit later than other countries in Europe due to decisions being taken later. We are now seeing a slowing of that growth. We fear that, while the summer has been able to produce some numbers, the time between now and the end of the year will be a really tough one. We see, in our figures at least, a significant decline in searches and bookings.

People are not going to take any risk. That is a point I would like to stress. We have seen traveller confidence go down. There is evidence in our systems that bookings are pretty much all made in the zero to 21-day timeframe. I have evidence I could share with the Committee if that is helpful. If you look at 60 days out or any other timeframe, all bookings are pretty much made, or searches are done, in the zero to 21-day timeframe. Consumers do not have confidence.

We are faced with the government advice changing so frequently that people are saying, "I'm not going to take the risk". That is why we would advocate for a clear process of testing and lanes into the United Kingdom, rather than a blanket quarantine requirement with all the consequences of people saying, "I'm not going to do any searches or make any bookings". That will lead to the reduction in the booking figures that we fear. That would be my additional message: more clarity and a longer-term prediction on the process and the rules, doing away with these blanket quarantines and going to targeted air corridors and more testing, to allow the market to pick back up.

**Marc Crothall:** I echo what Kate and Jean-Philippe have said. In Scotland, we are slightly different, because we have reopened at a much slower pace. Many parts of our sector are yet to be where England is, albeit that even certain aspects of the English operations are not where anyone would want them to be, for example in events. The industry has had a lesser opportunity to gather revenues, with our opening date being 15 July and our schools returning on 15 August. Some benefits have come forward over the last few weeks, such as the Eat Out to Help Out scheme. While that has been very well received, we have not been able to take full advantage of it.

It is essential to avoid the loss of international tourism going forward. Recommendations as to how we overcome that are a priority. VisitBritain forecasts a decline of about 64% compared to 2019. So much of the international tourism market takes advantage of golf tourism, whisky tourism and many other tourism activities that are not traditional hospitality, but it is those same people who fill the beds in our hotels.

Our cities have been depleted. There is little or no demand at all for city tourism, yet the rural and coastal markets have done exceptionally well. They are all microbusinesses. For the majority, it is still a matter of survival. About 30% of our visitor attractions have been unable to open at all because of the distancing measures that inhibit that. Another 30%

that are operating will not be able to continue operating in a financially viable way.

There are lots of the same issues, but Scotland being at a slightly slower pace in re-emerging is causing a bit of confusion across border. Equally, it has its challenges. Seasonality is another big impact on us, given the rural specifications of 700 islands and the geography of Scotland being a bit more challenging to access in the winter months.

**The Chair:** Anecdotal evidence is never reliable, but I live in the middle of the Loch Lomond National Park and I have never seen it busier. There are lots and lots of people, mainly staycation people, who are coming. To what extent do you think Scotland has missed out because the restrictions have been more limiting and the opportunities for those stay-at-home tourists have been limited?

**Marc Crothall:** The stay-at-home market has been very strong, but it has been centred on the self-catering sector. There was a 40% increase in self-catering accommodation over the summer months. We are seeing and hearing from local economies that the spend in the local economy has gone backwards. In the national park, you will have seen a big spike in camping and dirty camping as well, which we have to tackle, again caused by infrastructure challenges.

There is a limit, though, to how many people can staycation at the moment, although we would love to see more in our hotel sector and spending more money in restaurants. I am not saying it is not there, but it is certainly now in decline. Jean-Philippe's points about seeing a fall away from bookings are very evident.

Q31 **Lord Burns:** I would like to ask about the experience of the Eat Out to Help Out scheme and how far it helped. Did it simply move meals from one part of the week to another? What are the implications and lessons of this for other parts of the hospitality industry? Is there anything we can learn from this, or was this just a one-off in a particular part of the industry?

**Kate Nicholls:** The Eat Out to Help Out scheme was incredibly helpful in boosting consumer confidence and encouraging people to return to hospitality. Scotland and Wales reopened later, so the effects were more limited there. In England, our legislative restrictions were removed on 4 July and we were allowed to reopen. During July, between 45% and 55% of our premises started to reopen and we had a similar level of customers who were coming back out, so momentum was quite slow. It accelerated during August so that we ended August with 75% of venues able to and be open. Two-thirds of customers had used the scheme to come out and revisit hospitality.

We had a helpful focus in the Consumer Pulse work that we did throughout those four weeks. There was a gradual build-up of momentum in the first week and a half, and then it accelerated as people became aware of the scheme. Half of those who were using it had

returned to hospitality for the first time since the Covid crisis, so they were new customers who were eating and drinking out, and they were tempted to try hospitality in the first part of the week, which was supposed to be the quiet part.

The remaining customers who had previously come out during July continued to come out. Crucially, they came out on Friday, Saturday and Sunday, so the displacement was less than we had anticipated and feared. There was a dip-off on Thursday, but the Friday, Saturday and Sunday trade stayed strong. In the early part of the week, we were significantly boosted and were even well ahead of 2019 revenue levels. Over the week it balanced itself out and, week on week, it was about 30% up each time.

Crucially, because we were able to open premises more quickly than we had anticipated and at a higher capacity—we had not built it up to the 60% to 70% of capacity that was constrained by social distancing; it happened in a big bang—we could bring more of our staff off furlough earlier than had been anticipated. It was an earlier opening; it was an earlier restart; 200,000 staff came back out of furlough early. As I say, we dramatically increased the numbers of premises that were open.

In terms of what we could learn and what could be applied more generally, the biggest impacts were the boost to consumer confidence and the explicit permission from the centre of government to consumers that it was okay to come back out. It was okay to start resuming some of those activities, within the social distancing constraints. After a period where people had been told what not to do, there was the counterbalancing clear message of what you could safely do.

Some of that momentum has been subsequently lost as we have moved forward and we had last week's announcements. There has been a dampening of consumer confidence, but the scheme was helpful in bringing people out, encouraging them back in and getting economic activity generated. The scheme generated activity at times of the week when it would have been quiet and people would not otherwise have brought teams back off furlough.

**Marc Crothall:** That is a very good summary. In Scotland, we had 8,500 businesses register and 6.3 million meals in a population of 5.5 million, so it was very well received. A number of businesses have chosen to continue with a similar scheme and to take the hit themselves. Aberdeen was unfortunate to be in lockdown during that period, so missed out on being able to capitalise on the scheme itself.

Overall, going back to the way the holidays fell in Scotland, it was still well supported and businesses were encouraged to continue it. If it was put back in, we would see it as an opportunity to reactivate footfall in cities and town centres in the winter months and to give people more of a reason to visit. Confidence boosting was the main winner overall.

Q32 **Baroness Bowles of Berkhamsted:** I would like to return to the

subject of staycations, which we have explored very slightly so far. How have UK tourist destinations fared as restrictions on social and economic activity have been loosened? Can we get more of the detail, the data? Have the economies benefited more than they would have because there have been more people, or have they just done level pegging with what they won and lost? How is that reflected in different parts of the country? Have some places been winners and others not so much? Have we all gone to invade Lord Forsyth's territory?

**Kate Nicholls:** It has been a very mixed picture and certainly there have been winners and losers. Our traditional coastal seaside and rural tourist destinations, which already benefit from a large number of UK day trippers and staycationers, have done well over the summer, while they have been open, helped by some fantastic weather. They are at 60% to 70% of normal revenue and occupancy levels for this time of year. The only constraint is on capacity as a result of social distancing. You will see the same kind of feedback from holiday parks, visitor attractions, theme parks, adventure parks, museums and galleries. The constraints they have had on visitor numbers and revenues have been as a result of social distancing and managing it.

The same cannot be said of our towns and city centres, even those that are normally tourist destinations, such as Edinburgh, Glasgow, York and Stratford. There has been a constraint there. You are looking at 30% to 40%, if you are talking about the normal hotel market and occupancy levels in those areas. There is a move towards the rural, the coastal, the fresh air, and less towards the indoors and city centres. We have a real doughnut effect in our towns and city centres, where the outer areas are performing quite well and the inner areas are performing poorly. London is catastrophically low for this time of year, largely because of that triple whammy of no commuters, no international tourists and no major cultural and event activities. All these things apply equally to those other main city centres, but London is suffering particularly badly. London businesses are at 20% to 30% of their normal revenue levels for this time of year, so it has been a mixed bag.

Echoing something that Marc said, we have seen the same in the Lake District, the North York Moors and those kinds of holiday destinations. There are lots of visitors, but not necessarily lots of spend. They are coming and indulging in outdoor activities that are free at the point of use, apart from carparking charges. They are not spending there and it is certainly not a replacement for the foreign tourist spend in the Lake District, Stratford, et cetera.

In its latest estimates, VisitBritain has downgraded its forecast for our tourist destinations and tourist economy. At the middle of lockdown, it was anticipating that international visitor numbers would be down 59% this year. It reforecast that at the end of August to say that we will be down 79%, with domestic day trips and overnight stays down 49%. That is lost revenue of £60 billion to £70 billion to the economy coming from tourist activity.

Even the tourist destinations that have had a good summer have had only half their season. They have to earn all their money between Easter and October half term and that season has been cut in half. You cannot make up for the lost revenue in the early part of this year.

**Jean-Philippe Monod:** We have seen similar numbers to the ones Kate mentioned. Around 76% of bookings were domestic, which is already a huge shift on the domestic side. Two out of three people stayed within 1,000 miles of where they are located and 62% travelled by car. These are all the local bookings.

After we lost 85% in March, things picked up. Continental Europe was a bit quicker, but we saw the UK pick up from mid-June to the end of June. There was a good season, mostly for short-term rental accommodation, and in the rural and coastal areas. As Kate said, London was catastrophic. Urban areas have suffered significantly and now we are seeing demand go down significantly. The little boost that we had is now over. Yes, there were some good parts, but they were pockets of good and they were spread mostly in non-urban areas.

**Marc Crothall:** As Kate said, the rural and coastal properties—the North Coast 500 and that part of the world—have done very well, but it is not all rural hotels. Many of our rural properties in Scotland, as you will know, are very dependent on the coaching market. With that collapse and no coaches on the roads, quite a lot of the rural hotels, even in Glencoe, have failed to fill to occupancy levels above 30% in the middle of August, so there are challenges. Those hotels that have a strong reputation, are well known and have a loyal customer base have done well. Some of our resort properties have had to manage without core facilities being opened at the outset, such as swimming pools and leisure facilities. On the islands, ferry capacity has constrained some of those who could travel from going and staying.

The outdoor adventure sector, a big part of the tourism proposition, has performed well. Many people have chosen to have a day experience rather than stay overnight. I refer back to the camping invasion, I suppose, of parts of Scotland over the last few weeks, which continues. The weather has not been as good as it has been in the south, but people have still gone out.

Ultimately, spend has slowed down considerably in the economy. We need that spend to come through and it has not materialised to the level that we wanted it to. As Kate said, these businesses need to make their money now to see them through the winter.

**Baroness Bowles of Berkhamsted:** I was going to ask where the spend has been. They have not gone out to spend. Is that because the type of person newly taking these holidays does not want to do it, or does it indicate some economic constraint on the holidaymakers? This might be a bit of fortune telling, I am sorry, but have you any idea?

**Marc Crothall:** There has been a combination of things. In certain parts of the country, we have had to overcome community sentiment and how tourists have been received in those areas. The industry has done a lot of work with communities to give them confidence to do that. There are others who have preferred just to camp, literally, or take their shopping with them, pack up and isolate themselves in cottages in Skye or wherever else. Saying that, a number have purchased online takeaway, food items from restaurants and things. Escaping and not being in the city has been the big thing.

I do not disagree. I think there is a concern. Those who have chosen to take up the camping option are concerned about their potential household budgets in the future. There are a number of new markets there, and clearly it is a shorter option rather than committing to a longer stay in fixed walls. It is a balancing act, but ultimately we will see what comes next, if there is that confidence to stay and do more in those communities in the coming months. At the moment, the indicators are that that will not happen too quickly.

Q33 **Lord Tugendhat:** I wonder whether we could turn to the possible effects of flexible working. It is obviously early days, but it looks as if the balance between working at home and working in the office will become a permanent feature of our lives. First, I wonder what the effect of that would be on the sector. Secondly, I wonder if the witnesses could comment on sectors that were already in decline before the lockdown and are therefore very unlikely to bounce back.

**Kate Nicholls:** This has been a major cause for concern over the summer since we have reopened. We have seen a high proportion of our town and city centre business at a far lower level than in outer areas. It is particularly marked in London, but it is not just a London phenomenon. Since the start of September, we have not seen that return to the office. I think you are right that this will be a longer-term trend. In recent surveys, businesses have said that they do not anticipate returning full scale to the office for some considerable period and that this will last longer.

I think you will see a return to the office in part. I do not think there is an entire shift in public sentiment and public usage to working from home entirely. Longer term, I think we will see a more hybrid model. This has accelerated a trend that was already happening. We knew more people were making use of technology for events, seminars and meetings. Working from home was a trend that we were already adapting to, but this has condensed the time period over which that was happening, which is causing acute business concern at the moment. I think there will be a move back to working part time from the office and more flexibly from home over time.

There are a number of challenges preventing a greater take-up of returning to city centres. Notable among them are the social distancing constraints on public transport usage, which are significantly impacting capacity. If you look at the Tube and trains in central London,

maintaining two-metre social distance restricts the number of passengers you can accommodate at any one time, so you exacerbate the public transport challenge.

The messaging is still relying on employers to do their own risk assessments. Two-metre social distancing usually restricts the capacity of the office to about 40% to 50% of its normal accommodation. Even if you have the willingness to return to the office, the number of people coming in on any given day will be significantly lower. You can see that happening across vast swathes of central London and the government estate, based on how many people can be accommodated safely in those offices.

For hospitality businesses in those city centre locations, it means an acute squeeze on margins. These are high-volume, low-margin businesses that are dependent upon a high degree of footfall. In particular, there are problems for pubs, coffee shops and sandwich shops, the grab-and-go side of hospitality that relies on a large number of daily commuters coming in. I believe that about a million people a day come into zone 1 in central London to work. We clearly do not have anywhere near that at the moment. We are probably at about 10% to 15%.

The sandwich shops and coffee shops will have a particular problem in even getting enough revenue to open. That is why 30% to 40% of the London hospitality estate has still not opened. Across the UK as a whole, a quarter of our businesses are not yet open. In London and other major city centres, it is 30% to 40%, simply because they do not even have 10% of revenue, which is what you would need to cover costs and make it worth your while to open. That shows you the level of challenge we have there.

The immediate challenges that we have as a result of that are twofold. The first is about our people. If you cannot get that guaranteed level of trade and you do not have that forecast level of trade coming back in with people not working from home, you will have to adjust your people quota to meet the demand that you have. We still have a million people on furlough across the sector, either part time or full time. The majority of them are still in full-time furlough, and those jobs are at risk if we do not get further improvements in demand. They are particularly at risk as a result of the doughnut effect in town and city centres that I talked about.

Secondly, without the ability to earn sufficient revenue to break even, those businesses will struggle to pay rent at the end of September, when the current rent enforcement moratoriums end, unless the Government choose to extend them. Then those businesses will be faced with finding three-quarters of their year's rent in one go, without any trading revenue and without sufficient demand to cover it.

From a town and city centre planning perspective, unless there is action to support those businesses or manage that problem, you will see high levels of redundancies and vacant units. Those businesses will have no

option but to cease trading, because they become unviable overnight. There will be an immediate squeeze in September and October. Longer term, there will be an adjustment where those businesses need to pivot towards a more flexible hybrid model whereby fewer people come into the office on a more regular basis.

**Jean-Philippe Monod:** Expedia has a pretty large office in Islington, London. The current rule is that 25% of the staff can be in the office. The actual numbers are still a lot lower. People will not go because of the restrictions on the Tube. That has an effect on the whole hospitality sector, because they will not be spending money on the coffee bars and lunch places around the offices. That is true for the whole sector.

I would like to highlight the effect on the urban markets. Expedia Group has a corporate travel business called Egencia. There, we see significant effects of working from home. As a good example, I am based in Brussels, but before Covid I was in London every week for one or two days. I have not been out of my home, other than for leisure, since March. I have not seen any of my colleagues face to face. My colleagues in London have not seen each other face to face except for the few who are now coming back.

Leisure has slowly moved to domestic. We are not seeing anything close to the levels of leisure travel that we had before, but at least international travel has moved to domestic. Corporate travel is not coming back in the same way. People are having all their meetings, as we are now, via video conferencing. That means that all those people are not travelling. They are not going to stay in the hotels that otherwise would be used for business travel. I can see that continuing for some months, until we get to safer times by having safe corridors for travel and business travellers have the security that if they go to another location and have testing they can go back.

A lot of business travellers are fearful that if they travel they will have to self-quarantine for another two weeks. That takes away all the incentive to travel. We see a significant problem on the corporate travel side. On the leisure side, there is at least some move to domestic travel. We do not see that in the corporate travel business.

**Marc Crothall:** We need to have a vibrant city centre. If places are vibrant, they attract people. With people staying away from work, as Kate alluded to, we are not getting that daytime trade. Balancing the books with outgoings is very difficult for the sector. Of course, our cities also attract a lot of the big conventions. Those are all on hold at the moment. We are very dependent on that type of market coming through.

As a positive, Covid has taught us to adopt technology and use it in a much better way. Ultimately, we need the vibrancy in these city and town centres. That will lead, I hope, to recovering some of the night-time economy, which is on its knees. It needs that life injection. Corporate and international travel is the key to getting that life back into the city sooner rather than later.

**Lord Tugendhat:** I speak as a Londoner and London is the place I am most familiar with. One of the striking things about London in recent years has been the construction of enormous four and five-star hotels. These were catering not just to the business market in the normal sense of the word but to conferences and gatherings of that sort. I wonder if any of our witnesses can give a view on how long it will be before those big hotels become unviable. If they cannot keep up a very high occupancy rate, it seems to me that there will be a lot of large and vacant buildings in the middle of London.

**Kate Nicholls:** Some 70% of the demand in the London hotel market is inbound foreign tourists, both leisure and business travel. Getting the international tourist market restarted will be critical to that. Over and above that, yes, there are events and conferences. We await with bated breath the review as to whether events, conferences and business activities can restart from 1 October.

It goes back to your earlier question, which, apologies, I neglected to answer. You asked whether these jobs were sustainable in normal times, or whether they were in structural decline. This sector of the economy was in very rude health. In fact, it was the only sector of the economy that was growing. At the end of December 2019, we were forecasting growth this year of 4% to 5% and continuing to generate one in six net new jobs. Other than the demand-side constraints that we were operating under, these jobs would have been sustainable longer term. This was not an industry in structural decline.

The latest industry figures suggest that it will be 2022 before we see revenues and occupancy levels starting to get back to 2019 levels. At the end of 2021, in the regions of the UK, the forecast is that we will be back to revenue per room that is 30% lower than in 2019. In London, that will be 48% lower, so the recovery is slower in London. We start to get into the recovery period in 2022 and it accelerates through 2022 and into 2023. This will be a long haul for the side of the market that is very dependent on foreign and business travel and therefore is facing constraints for a lot longer.

We learned from the financial crisis that it took as long again for those businesses to regain their profitability. We also know from the 2010 crisis that these jobs came back. The recovery was tourism and hospitality-led, and there is no reason to suspect that when levels of demand arrive we will not see those hotels coming back to profitability. There is a small proportion of the market, if you look more generally at hospitality, hotels, pubs, bars and restaurants, that will not be viable longer term, and we will see closure.

The hotel market is more resilient in managing that for longer than pubs, bars and restaurants. In that segment of high-street hospitality, we will not be able to sustain the trade levels that we have at the moment into the new year without further additional help. Hotels can sustain the current levels of trading and the projected forecasts for increased trading along the timeline I have announced without too many businesses

becoming unviable. But we need some movement in those key areas; otherwise we will see job losses going through and business failure.

Q34 **Lord Stern of Brentford:** Since we are getting short of time, I hope my question admits of a fairly short answer. You have been very analytical, thoughtful and clear about the issues that this sector faces. Do you have formal or informal channels that are effective, that really work, to get through to the UK Government and the devolved Governments? Are they listening and acting?

**Kate Nicholls:** I will start on a UK level and then hand over to Marc, who leads on Scotland. I can pick up on Wales and Northern Ireland too. The short answer is yes. As a result of the Covid crisis, formal channels and formal working groups were established with the sector. We have a visitor economy working group that reports to the cultural renewal task force in DCMS. That looks at hotels, visitor accommodation and attractions. It meets fortnightly now; in the early part of the crisis, it was meeting weekly.

We also have fortnightly calls of a hospitality task force that was set up in BEIS to look at high-street hospitality issues. Again, it has been meeting weekly and is now meeting fortnightly. In the early part of the crisis, there was a business representatives meeting, attended by Secretaries of State. At both Secretary of State and ministerial level, those channels of communication are formally established.

A new task force has just been set up to look at the night-time economy and nightclubs in particular, which is a closed sector. There is a separate events industry board looking at events and conferences. Those all feed up to the various ministries and are mirrored to a greater or lesser extent within the devolved Administrations.

We have had unprecedented support from the Government as a sector. In the recent announcements, hospitality and tourism was singled out as being the biggest hit and most damaged sector, but also the sector that most needed and would benefit from support. That reflects the fact that we are anticipated to bounce back more quickly. We have a large number of employees, 3.2 million, and half of them are 18 to 24 year-olds. The return to successful growth and job recruitment opportunities has, I think, been recognised in the Treasury and at the highest levels.

Are our concerns being recognised and acted upon? There is always more that can be done and there are areas where we would like further government support, particularly on rents, flexible furlough and, moving forward into taxes, VAT and business rates, but, yes, we have those channels of communication.

**Marc Crothall:** In Scotland, we have had exceptional engagement with the Government. We have met with the Cabinet Secretary for Tourism weekly from the outset of Covid. He has attended our industry council meetings. We have also had a direct line into the First Minister. As an organisation, we sit as a lead member of the government task force that

was established, led by Fergus Ewing and his colleague, Jamie Hepburn. There are 40 industry colleagues driving out the response to that. There is a separate emergency response group, made up of the government agencies, VisitScotland, Scottish Enterprise, Highlands and Islands Enterprise and South of Scotland Enterprise. It has been a collaborative way of working throughout this process.

In the same vein, yes, we have received strong support and have a seat at the table of the UK group that meets twice weekly, which Kate referred to. Like the rest, we have a number of asks. Some of those are direct to the Scottish Government, but there are requirements that sit with the UK Government. It has been a very positive and engaging process with Ministers and we are very grateful for that support.

**The Chair:** Mr Monod, are you talking to the Government? You are obviously a very useful source of what is going on.

**Jean-Philippe Monod:** We are also part of the visitor economy working group that meets fortnightly. Through the various trade associations, we try to provide input on figures and insight on developments. The channels are there. In the interests of time, I will not say a lot, because Marc and Kate have already explained. The key thing is that we are being heard, but there are multiple layers. In getting through to the key decision-makers, sometimes the essence of what is happening in the tourism sector is lost. I am glad that we have this discussion today, so that the message can pass to the necessary people that the tourism and hospitality sector has been hit most, and we need to keep a close eye on that.

**The Chair:** Any data you can provide the committee in a written form in the future would be much appreciated.

**Marc Crothall:** Our Cabinet Secretary, Fergus Ewing, has often referred to a very good, healthy relationship with Nigel Huddleston. They are absolutely in sync with one another. Likewise, we have also had regular engagement with the Secretary of State for Scotland, who is happy to take our brief and updates regularly.

**The Chair:** It is very good to hear the Government being praised. It does not always happen in this committee.

Q35 **Lord Skidelsky:** I would like to ask about the relationship between work practices and technology, which has been echoing through some of the discussion. The normal assumption is that technological innovation is accompanied by short-term job losses. As working practices change and technology plays a part in that, would you not expect that to increase the number of job redundancies in the short run? Therefore, how is that to be reconciled with maintaining employment? This may be particularly true in administration. How do you react to the dilemma of introducing technology and maintaining jobs in the short run?

**Kate Nicholls:** The technological solutions being introduced at the moment are there to supplement and help make working more effective,

rather than replacing jobs. I am thinking in particular of the Covid apps. There has been an acceleration and a condensing of the timeline for the introduction of new technology. Things that would normally take six to 12 months to be introduced have been introduced in a matter of weeks. Those are smart technologies to do with payment technology, check-ins, QR codes, ordering and payment processing.

That has not necessarily replaced jobs, because it has freed up those members of staff for the additional work commitments required to maintain and manage social distancing: meeting and greeting people; making sure that they sit in a socially distanced way; managing and supervising door entry; queue management; additional cleaning and hygiene. It is a different type of work being done, but it means that the technology has freed up some of the pinch points and allowed the staff to get on with doing what they want.

During Covid, we have moved towards far greater levels of table service, because you need a higher level of staffing to do all that. In the number of people being brought back and the hours worked, there is a move towards short-time working and part-time furlough to make it cost-effective for the business, but you see more people brought back to manage social distancing.

In the medium to longer term, there will be a move towards re-engineering the technological processes that have had to be introduced by necessity. That will engineer out some of the jobs. I do not think people will go back to manual check-in when they have been able to do a lot of that remotely and online. You will see a greater take-up within the consumer base of payment technologies and payment apps that they were perhaps a little more reticent about. It frees up our teams to do value-added work, rather than replace the person.

**Marc Crothall:** Many restaurants embraced technology from the outset to get people back in employment and get the takeaway options going very quickly. There was a great amount of entrepreneurship in that way. Furthermore, travel tech solutions for tourism are now at the fore. That has accelerated. It has educated many people in getting online and using technology, particularly smaller businesses in rural communities. That will only be good for their future demand and growth. I am sure Jean-Philippe would say the same. We need those businesses to be much more savvy about technology, and they have been forced directly to do that.

**Kate Nicholls:** The redundancies we have started to see coming through are largely due to businesses having to close because of overheads, lack of demand and high rent costs, rather than a result of technology. Technology has not driven the large number of redundancies that we have seen. If technology had, those redundancy levels might have been higher than they were. Five per cent of the March workforce has been lost to redundancy so far. That is largely down to changes in demand and rent costs, rather than being technology-driven.

Q36 **Lord Livingston of Parkhead:** The sector is clearly challenged in both

the short and the long term. It employs a lot of people. What are the one or two—and I stress one or two—additional pieces of support that government could provide? I know you represent different sectors.

**Jean-Philippe Monod:** The support which the Government have provided on furlough schemes is much appreciated, especially by our smaller partners. From the perspective of Expedia Group, the platform and the larger companies, we would really benefit from a focus on testing and creating corridors into the UK, rather than blanket quarantine measures. From a very specific local perspective, on the rule of six we were on the visitor economy working group earlier today. It was raised, and this is a really important point, that we should look at the possibility of differentiating children under 12.

**Lord Livingston of Parkhead:** That is the Scottish solution.

**Jean-Philippe Monod:** Yes, absolutely. There are different solutions, but that is a very important point. It would enable families to more easily bring their kids with their brothers and sisters. It would make a huge difference for the sector.

**Lord Livingston of Parkhead:** Scotland is an excellent segue to Marc Crothall.

**Marc Crothall:** We are very fortunate to have under-12s being invisible, but we are still at two households, not six households, so that is another variant. Support for the aviation recovery has been touched on. Getting the international market back as soon as possible is essential. We would like to see the continuation of 5% VAT for the sector beyond the current time it has been set for. It has been very welcome.

Another thing for Scotland in particular is getting an agreement on consequential to support local lockdowns. That will be real. How do we get that shored up so there is a degree of confidence and those businesses are protected?

The industry in Scotland continues to look to furlough, given seasonality, to protect a very depleted but also skilled workforce. Losing that workforce over the winter months would be challenging. There needs to be a son of furlough, if not furlough itself. We would hope to see longer-term access to low-cost loans, to allow recovery, reinvestment and diversification of the assets.

**Lord Livingston of Parkhead:** I am sure that was marginally more than two, but thank you.

**Kate Nicholls:** I will probably also struggle to stick with two. I will echo everything that my colleagues have said. As I said at the start, we have artificial constraints on demand and businesses that are closed by legislation. Therefore, our ability to trade our way out of this is severely constrained. While that remains the case, we will undoubtedly need a bridge to get to the next season and to the recovery that we hope will come in 2022. A targeted extension of furlough to pick up those areas

that are closed by legislation and restricted by demand would be helpful from October to January.

In the absence of an extended furlough, we will need measures to support and sustain demand and consumer confidence, and to reduce overheads. We need a continuation of the VAT cut; 12 January is the wrong time of year to remove that. That is just before most of our consumers will be booking their summer holidays and activities. We need that extended and it is the easiest way to get support to those businesses before they start trading again in March and April.

We also need an extension of the business rates holiday. All we will do is delay the job losses and the redundancy. I reiterate: we have a million people still on furlough in hospitality. If we reintroduce the business rates bills at the highest levels they have ever been in April 2021, we will cripple the recovery before it begins. An extension of that business rates holiday will be key.

In the immediate term, we have a decision coming up for the Chancellor, within a week, on whether to extend the rent moratorium and protect commercial tenants from being either evicted or having debts enforced against them. If we do not have that rent moratorium extended for at least three months, ideally six months, we will have a bloodbath on the high street. Our town and city centres will not recover. I am sorry I cannot reduce it to two, but all three are absolutely critical.

**Lord Livingston of Parkhead:** Good luck to all your members.

**The Chair:** Have you costed these?

**Kate Nicholls:** Yes, we have. We have put those to the Treasury. We can share that with the committee if that would be helpful.

**The Chair:** That would be extremely helpful. Can I thank all of you for coming to the committee? It has been a very useful session indeed. Any further information you can provide to us will be much appreciated. We are trying to do this inquiry at a reasonable pace because of the nature of the events, so we would welcome further thoughts on anything we have not been able to cover in this session. On that basis, this concludes this session of the committee. Could I thank the members and our three witnesses for what has been a very interesting afternoon? Thank you.