Written evidence submitted by the British Retail Consortium (COV0189)

Mr Darren Jones MP,
Chair of the Business, Energy and Industrial Strategy
Committee,
Business, Energy and Industrial Strategy Committee, House of
Commons,
London, SW1A 0AA

20 November 2020

Dear Darren,

Thank you for the opportunity to provide evidence to the Business, Energy and Industrial Strategy Committee on 17th November as part of your inquiry into the impact of coronavirus on businesses and workers. I hope that the information provided will be helpful to the committee in its inquiry.

I would like to follow up on some points relating to business rates which I touched on in the session but did not have time to explore in detail.

The Government took a decision to offer a 12-month business rates relief to retail and hospitality businesses relief early in the pandemic. I contend this was because they knew the business rates burden on retail in particular is too high and the costs unsustainable. This was hugely welcome and made the difference for many businesses between continuing to operate and ceasing trading. For many retailers, the relief has prevented the closure of stores across their estates, which has supported thousands of jobs.

Without this measure, all store-based retailers could not have met the plethora of new costs they have faced as a result of Covid: from PPE to safety screens, paying self-isolating colleagues and investing in their digital offerings.

This is just as true for food retailers, who, in addition to these costs, have faced considerable new costs arising from hiring and training tens of thousands of new colleagues, the acquisition of new delivery vehicles and recruiting drivers to double their online delivery capacity, so that vulnerable people and those shielding can continue to get the goods they need.

It is easy to forget that eight months ago many people were worried that they were not going to be able to get the food they needed. The business rates relief allowed food retailers, big and small, to create safe environments for buying food, and to scale up their operations such that these fears were not realised. Those working in the food industry are recognised as key workers and the government thanked the industry for the contribution it made during the early part of the crisis.

Food sales have gone up – unsurprisingly as restaurants have been closed and people have largely been at home – but profit margins have fallen significantly. This is because of increased costs, the fact that online sales are low margin or, in some cases, wholly unprofitable and that customers continue to benefit from low prices.

Some have called for these businesses to repay their rates relief because they have 'done well' from the pandemic. I hope I have shown how this is a misperception. I also stress that it would be unreasonable now to 'claw back' a relief that has already been granted – the money has been spent on the costs set out above; any attempt to recoup it would cause significant harm to these businesses. Consumers would ultimately bear the brunt.

We were seeing early signs of a recovery right across the retail industry until the government decided to implement a national lockdown on 5 November. That recovery is now threatened because of the government's arbitrary decision that some of retail is 'non-essential' and should be closed. The BRC opposed that decision because Sage advice says that the impact on covid transmission of closing non-essential retail is low; because of the hundreds of millions of pounds that have been invested by retailers in safety measures; and because people do not spend long periods of time in close proximity to one another in stores.
If the government had not made that decision, then there would not now be the same debate about winners and losers from the crisis. Retailers would be focused on their businesses and building on the recovery.

We would instead be focused on much more important questions: what happens with business rates from 1 April 2021, and how to deliver fundamental reform of the broken business rates system.

The BRC's view is that these two questions can be brought together. Our proposal is that there should be a continuing, but reduced, level of business rates relief of 50% from April 2021, which would reflect the fall-in broad terms in the rateable value of retail properties since the last valuation in 2015 as well as the continuing reduced levels of footfall across the country. This action would let the business rates system reflect some form of market reality, rapidly begin to deliver on the commitment in the business rates review Terms of Reference to bring the rates burden down, and at a stroke create a more sustainable cost base for the industry so that it can invest in recovery and longer term growth. This strikes the right balance between supporting the industry and delivering for the Exchequer.

Others may have a different view about the right solution for April 2021. But we need to agree that our focus should be on how to deliver fundamental reform of the system. We must not lose sight of that and should not be tempted to fiddle further with an already byzantine system to try to right perceived wrongs that have occurred through the unique circumstances brought about by the pandemic.

I would like to extend my thanks once again for the opportunity to provide evidence to the committee. My team would be happy to follow up on any points set out in this letter or which were discussed should that be beneficial to your inquiry.

Yours sincerely,

Helen Dickinson OBE
Chief Executive

November 2020