

## **Written evidence submitted by Merlin Entertainments**

### **About Merlin Entertainments**

Merlin Entertainments is a global leader in location-based, family entertainment. As Europe's Number 1 and the world's second-largest visitor attraction operator, Merlin now operates 130 attractions, 20 hotels and 6 holiday villages in 25 countries and across 4 continents. Merlin's purpose is to deliver memorable experiences to its 67 million guests around the world, through its iconic global and local brands, and the commitment and passion of its c.28,000 employees (peak season).

Merlin Entertainments is a privately-owned company and is headquartered in Poole, Dorset, UK. It has 29 number of attractions located within the UK, including Alton Towers, THORPE PARK, Chessington World of Adventures, Warwick Castle, LEGOLAND Windsor, The London Eye, Madame Tussauds and various SEA LIFE centres.

2020 has been Merlin's most challenging year to date, as the vast majority of our 130 attractions around the world were closed for part of the pandemic, including all of our UK attractions which had to shut their doors between March and June / July, missing out on their busiest and most crucial trading period. When these attractions did safely re-open, they benefited from the pandemic staycation boost, but with significantly reduced capacity to enable social distancing. With a lower footfall, our UK attractions have not been able to provide so many seasonal jobs; nor generate substantial additional spend from our guests for the wider community surrounding our attractions and local visitor economies.

We note that at the first stage of this inquiry the Treasury Committee invited evidence on the speed, effectiveness and reach of the Government's and Bank of England's immediate financial responses to coronavirus, before subsequently examining the impact on the economy and different sectors; and looking at how the Government can work towards a sustained recovery. We are now responding in relation to the latter along with the next stage of the inquiry: the coronavirus response as it continues to unfold but also with some of the long-term implications of the challenges and opportunities of the "new normal".

As we outlined in our submission to the Treasury Committee's separate inquiry on tax after coronavirus, a range of Government measures – including the moratorium on rent enforcement, the temporary reduction in VAT to 5% and the business rates holiday – helped our UK attractions to resume trading between mid-summer and the November lockdown. The recent decision to extend the moratorium on rent enforcement until the end of March is, of course, also welcome.

There is no doubt that the economic impact of coronavirus is considerable, which is why we have made the case for permanent changes to the UK's tax system in order to help the hospitality and leisure sectors recover and flourish in the long-term, giving businesses such as ours the confidence to invest, boost productivity and competitiveness to ensure that the UK continues to have an attractive offer for both domestic and overseas visitors.

### **Our response**

We note the 16 questions set out in the "call for evidence". This response is focused on two questions which are immediately relevant to Merlin Entertainments:

- **How effective is the Government support to businesses and individuals across different regions and sectors? Does the effectiveness of the Government support vary across different regions?**
- **What impact will a second lockdown have on the economy? How should the Government best support the economy if intermittent lockdowns become a feature over the next year?**

We address both of these questions in our response below.

As a business operating a range of visitor attractions throughout the UK, we have not observed particular variances in the effectiveness (or otherwise) of the Government support in different parts of the country, but clearly local economies vary considerably (such as at our London attractions when compared to those in more rural / coastal locations). However, the issues are broadly the same, but on different scales: i.e. the Government support, whilst welcome, does not sufficiently address the impact of attractions having to close (or operate at significantly reduced capacity) at the height of what would have been their main trading periods. These same issues were exacerbated during the November lockdown, and are being repeated at the time of making this submission (particularly in Tier 3 and 4 areas).

Where regional variances do occur is in relation to the impact of the different tiers (and the resulting restrictions) not being matched by support which is proportionate for different trading circumstances. For instance, our attractions at Alton Towers and Warwick Castle were geared up to offer full Christmas experiences to guests, following considerable investment in Covid-compliant measures to ensure these locations were safe to visit. The imposition of Tier 3 (Very High Alert) restrictions – thereby preventing these attractions from providing hospitality (sit down meals and overnight accommodation) – significantly curtailed their Christmas offers (which were intended to help these locations recover from the lack of trading earlier in the year). These Tier 3 restrictions – with the resulting impact on hospitality provision – were then extended to our attractions in Greater London (including Chessington World of Adventures) and LEGOLAND Windsor Resort. This is despite a number of these attractions being located within individual local authority areas (such as Staffordshire Moorlands, Warwick and Windsor & Maidenhead) with lower incidences of coronavirus than many parts of the country which have remained in Tier 2.

After our Greater London and Berkshire attractions swiftly adapted their Christmas offerings to remove the inclusion of hospitality elements, they then had to shut down completely just two days later, following the swift imposition of Tier 4 restrictions with a few hours' notice. As our result, our peak festive trading period at these attractions has been completely lost.

This then brings us to the effectiveness of the Government's support for businesses. As previously indicated, we welcomed the concessions put in place in respect of VAT, business rates and rent moratoriums – and have sought their continuation. The extension of the Job Support Scheme has also been helpful. However, the comparative paucity of subsequent support for larger businesses during (a) the second lockdown and (b) the subsequent tiering (particularly at Tiers 3 and 4) certainly gives rise to questions about the effectiveness of such measures. For example, the Local Restrictions Support Grant – providing a derisory sum of £1,050 for each 14-day period (for those with a rateable value of £51,000 or above) would barely scratch the surface for businesses with the scale of operational costs that our individual attractions have (such as more than £1 million running costs, a month, at LEGOLAND Windsor).

Furthermore, our individual attractions have spent in excess of several multiples of this amount to ensure Covid-compliance, to only then not be able to use this equipment in those parts of our businesses (such as restaurants and accommodation) that are not permitted to operate under Tier 3 restrictions (or in any part of the businesses under Tier 4 restrictions, where complete closures are required).

In terms of how the Government should best support the economy if intermittent lockdowns become a feature over the next year, we would urge a sensible approach that recognises that attractions such as ours are quite capable of trading (across all aspects of our business, including hospitality elements) in a responsible manner, with effective compliance and enforcement of restrictions and measures.

Indeed, the only truly effective (and sustainable) way for the Government to support businesses such as ours is to allow us to open, recognising the comprehensive nature of the extensive measures we have put in place (exceeding government requirements) to ensure health and safety. Clearly, there can be no substitute for being able to trade, generating income not just for our attractions but also to create footfall for other hospitality and retail outlets within local areas. Indeed, we note that shops, gyms, hairdressers and garden centres in Tier 3 areas are being allowed to open fully (with their Covid-compliant measures in place) – and we are pleased for them. But, there is no scientific evidence to suggest that our venues (as opposed to these other retail outlets) have been a cause of Covid transmissions, and therefore it does seem like tourism and hospitality have been singled out for adverse treatment. We have rigorous cleaning regimes at our visitor accommodation (with clear records of the limited number of people who are able to stay), yet shops have hundreds and thousands of customers through their doors (but with no records kept). If it is safe for the latter to stay open (in Tier 3), then it is certainly safe for our attractions to continue providing their hospitality elements.

As a result of the inconsistency highlighted above, there is no doubt that the economic impact of coronavirus is far greater on the hospitality and tourism sectors – and also because (unlike many other businesses) our trade is of a largely seasonal nature (with this year’s restrictions affecting what are, in many instances, our two peak periods: summer and Christmas).

If the Government insists on keeping these discriminatory and arbitrary Tier 3 closures in place then these businesses should receive appropriate compensation for lost revenue (which could be calculated by taking into account the comparative trading position for 12 months’ prior, rather than a flat rate grant which has no bearing to the scale and nature of individual businesses).

Merlin, like every other business in our industry big and small, is currently running on diminishing cash reserves bolstered by borrowing. We also have the prospect of significant rent arrears having to be paid up after March 2021. Even when “normality” returns we estimate it will take three years to get our finances back into a position from which we can invest in our businesses (and create jobs) once again.

In conclusion, our ask to the Government would be to let us open our attractions with as few restrictions as possible. We have proved that we can keep guests safe from Covid transmission. If the Government insists on the closure of our attractions, then it should provide us with compensation commensurate with what we are losing (as is being done in Germany). Finally, to help us deliver a V-shaped recovery and restore lost jobs, it is essential that VAT on tourism services remains at a lower rate.

**If the Treasury Committee considers arranging any further oral evidence sessions on this subject in the New Year, we would welcome the opportunity to attend.**

*December 2020*