

Written evidence - Heart of London Business Alliance (PTC0025)

- Heart of London Business Alliance (HOLBA) acts on behalf of 600+ businesses and property owners in the area surrounding Piccadilly Circus, Leicester Square, Piccadilly & St James's in Central London.
- As well as being hosts to some of London's landmark attractions, we operate services that help keep the area clean, safe and welcoming – supporting all those who invest, work, visit and live in the area.
- We are a **Business Improvement District** – a non-profit organisation funded and voted for by local businesses. As such we offer a range of services, from public realm placemaking, destination marketing and advocacy, to full management of the area such as cleaning and security.

Reason for submitting evidence

- Whilst the inquiry is focused on the long-term impact of COVID-19 on larger towns and cities outside of the 12 core cities it is important to consider the impact that the pandemic has had on London as the **reverberations from this will affect other towns and cities** across the UK.
- Due to the high concentration of certain sectors and industries within London (i.e. hospitality, retail etc) the impact of the pandemic on businesses in the capital over the last year will provide an insight into the problems faced by similar businesses across the UK.
- Furthermore, as the pandemic has **hit central London disproportionately** hard due to its reliance on economic agglomeration, including footfall from workers commuting from further afield and international and domestic tourists, it provides a useful case study and outlier for considering the long-term impact of the pandemic on cities and urban areas and lessons for policymakers.
- Finally, many of the problems Central London faces will be shared by other cities and towns that depend on high-volume footfall from tourists and workers (e.g. Bicester, Bath, Oxford, York).
- **Our submission** is the product of consultation with our member businesses, including a survey we commissioned especially for this submission. Respondents were made up of businesses from the hospitality (57%); arts, culture and entertainment (14%); and office industries (29%).
- Our response has focussed on the themes of 'the changing nature of employment' and 'public transport' as we are best qualified to answer these. Similarly, it focusses on the sectors of culture, hospitality and retail, which make up the bulk of our membership.

The changing nature of employment

How will the pandemic change the nature of employment? And what will be the long-term impact of this change on towns and cities?

Our respondents reported that the following issues have affected businesses in London:

- Central London has been disproportionately affected by the pandemic due to its **low percentage of residents and reliance on high-volume footfall from tourists and workers**. Many of the problems it faces will be shared by other cities and towns that depend on high-volume footfall from tourists and workers (e.g. Bicester, Bath, Oxford, York). This has had a major impact on the hospitality sector with economic output down 90% in April 2020 compared to February 2020. Between January-March 2020 to July-September 2020, the number of workers in the sector fell by 6% (147,000).
- Throughout 2020 footfall remained low, even when relaxations were eased, with an **average of 70% downturn in footfall compared to the previous year**. Hospitality and Tourism businesses across the UK need a roadmap from the government about how it is going to restore international visitor numbers so they can plan for the future, including how many staff they need and on what sort of contract to employ them.
- Research firm Arup's report *The impact of office workers' absence on central London's economy* shows that office occupancy rates are likely to be 34 percentage points lower than pre-COVID-19 levels, and 53,000 jobs are at risk of redundancy. Under this 'base scenario', local economic activity risks being **£37bn lower** than pre-COVID-19 levels.
- The pandemic has resulted in significantly drained cash reserves for London's businesses, impacting negatively on their ability to invest and retain employees. Our respondents unanimously agreed that depleted cash levels will have a negative knock-on impact on hiring.
- Many of our members' sectors necessarily involve a physical presence. However, a more flexible working week will continue to some degree for office staff – most likely a 3 or 4-day working week, with Mondays and Fridays the likeliest days for home working. Some functions, however, have been moved entirely online and there will be a proportion of workers for whom the move to remote working will be largely permanent.
- The number of applicants to roles in the hospitality sector has recently fallen, resulting in businesses struggling to **find and retain talent**. It is clear to many of our members that the considerable media attention given to the struggles of certain sectors, such as hospitality and culture, has caused long term **reputational damage**. We fear this has discouraged people from considering careers in these sectors, which will have a major long-term impact on the labour market considering these sectors have played a crucial role in increasing employment during past periods of economic recovery (between 2010-2014 the hospitality industry created one in five new jobs).

How might this increase, or decrease, inequalities within towns and cities?

- Covid has widened several existing inequalities – particularly regarding income wealth and intergenerational differences; yet when it comes to spatial differences the situation is a bit more nuanced. It is not the case that most deprived regions of the UK have been

hardest hit by the pandemic and central London has been one of them, if not the hardest hit part of the country.

- The pandemic has hit certain sectors – and therefore those employed in them – much harder than others. Those that conduct activity involving large amounts of close human contact have been the most seriously affected by the pandemic and the hospitality sector has seen the biggest economic decline of all sectors of the economy since the outbreak of the pandemic. This has increased inequalities between those able to continue working from home, and hospitality, culture and high street retail employees, whose industries are far more reliant on direct contact. Although it is perhaps too much of a generalisation to portray this as a simple case of well-paid office jobs and lower-paid jobs that need to be done in person, this has also been a feature. It is worth noting that some jobs (e.g. street cleaning, deliveries) still needed to be carried out throughout the pandemic, and that for some workers the option of being able to stay safe at home was not available.
- Central London will survive in some shape or form. But if businesses and cultural institutions do not receive the support they need during the period of enforced closure, many will disappear – leaving a capital city that is poorer, less resilient, less able to contribute to the nation’s economic recovery, and less able to attract tourists and investment from across the world. The economic activity generated in central London’s unique ecosystem – contributing **£211bn GVA** to the national economy – provides a sizeable proportion of the tax receipts required to level up other parts of the city and the rest of the UK. If London recovers quickly and robustly, it will be a strong economic engine for both growth and ‘levelling-up’ across the UK, particularly given its significant historical fiscal contribution to the UK. London First have calculated that investment in promoting the city, and improving transport and skills could yield a benefit of c. **£25-35Bn in GVA** between 2021-2023, equating to approximately c. **£8-12Bn in additional taxes** for central government over that period.
- London is an iconic global city that brings tourism to the UK from right across the world. Whilst it is true that most international tourists, who spend on average 5 times more than their domestic counterparts, spend most of their time and money in London and its vicinity, it is poorer regions such as Cornwall, Yorkshire and Cumbria that most depend on tourism for their economic growth. Without London acting as a magnet to international tourists, who subsequently visit other tourist destinations across the UK, inequality across the rest of the UK will increase. London will need a competitive marketing budget, in line with its international competitors, to promote the city globally as a place to visit and to do business in. Before the pandemic London was spending half of what Paris and Berlin were, and less than a tenth of Singapore’s spend.

How might this increase, or decrease, inequalities between towns and cities?

- London has been disproportionately impacted by the pandemic:

- On one hand London suffers among the highest levels of deprivation and need in the country, according to a range of measures. London's challenges – such as pockets of extreme deprivation and a lack of affordable housing – risk undermining its future.
- On the other, Central London contains a fragile ecosystem that depends on footfall from international and domestic visitors, and suffers from higher business rates than the rest of the country. This all makes it challenging for London to see full growth in the current situation.
- Whilst there may be suggestions that the problems facing London are of secondary importance due to the desire of the current government to reduce inequality across the UK, the vast fiscal resources required to invest in left behind regions will simply not be available without a fully operational capital. Without London, the engine of the UK economy, driving organic economic activity growth across the rest of the country will decrease, further exacerbating inequalities across the UK.
- As the UK recovers from the pandemic the government needs to support and 'level-up' left behind communities everywhere across the country. London has higher poverty rates compared to the national average (c. 28% vs. 22%) particularly within Inner London (32%) and among children (37%).
- Furthermore whilst London makes up only 13% of UK population it accounts for c. 40% of black and minority ethnic communities, which have been disproportionately hit by the pandemic.
- It is of course the case that workers no longer going regularly to Central London will be spending money elsewhere in the UK, a hollowed out London loses the economic benefits of agglomeration and the interconnected ecosystem it enjoyed pre-pandemic. Put simply, a weakened London does not translate to a strengthened rest of the UK.
- To give an example of the financial cost at stake, economic analysis commissioned by HOLBA in 2020 shows that the impact of COVID-19 would see the Gross Value Added (GVA) of the West End's arts and culture sector fall by **97% by 2024 to just £100m compared to £4.9bn GVA in 2019** in a scenario involving repeated strict lockdowns, venues and offices remaining largely unoccupied, essential travel only recommended by the government and the digitalisation of entertainment becoming the default alternative to in-person live experiences – i.e. similar to what actually happened.
- When the time comes to open up London once again, we cannot assume that normality will resume straight away and impaired businesses will still need some degree of support even if this is not to be the business support measures seen in the pandemic. Whilst many of the support measures provided by the government were welcome, they have largely acted as a sticking plaster for central London businesses who have disproportionately higher operating costs. For instance the allocation of funding to councils to provide financial support for local businesses was based on the number of residents, not businesses, which meant central London businesses received a **reduced level of support**. Furthermore the incoming £2 million cap on business rates relief will

disproportionately hit businesses based in the capital who have very high business rates, which are calculated on the rateable values of previous years.

- HOLBA believes that in the recovery period there will need to be support measures for the cultural sector on both the supply and the demand side – including culture vouchers to boost demand. Many cultural venues such as theatres have incurred massive losses due to the government's stop start messaging, have little to no confidence in reopening their doors in July and – despite demand for tickets being strong – **cannot get insurance from private sector providers**. To address this market failure, a government-backed insurance scheme for theatres and arts & cultural institutions should be introduced.

What action is needed from the UK Government, town and cities leaders, and others to mitigate the risk of any change in the nature of employment and how could the UK Government, town and cities leaders, and others use their response to the pandemic to reduce inequalities in employment?

The following actions are needed for both businesses located in London and those based in towns and cities across the UK:

- The government should set out a concrete timeline for the **return of office workers** and provide a clear and consistent message to help businesses communicate this to employees confidently. The language used should not just be about a return to the office – it should be promoted as a return to doing business, and a boost to creativity and productivity. Without this there will be an increase in inter-generational inequality as young workers joining the workforce will not have the opportunity to learn skills and gain experience from working alongside their established colleagues.
- Employees should also be encouraged to make the most of the days they go into the office and experience the other services and attractions the centre of cities and towns have to offer. We welcome the introduction of flexible ticketing, in recognition that a return to a full five-day week is unrealistic: but the benefits of teams being physically together during the working day should be stressed.
- Additionally, the ecosystems of city centres, which makes them such a draw in normal times, should be protected. Every effort should be made to help viable businesses survive in the recovery period. For instance, whilst the reduction in VAT for the hospitality sector and the freezing of business rates have provided some temporary relief, the cancellation and/or tapering of such support, done too quickly, will result in business closures and significant unemployment.
- Local leaders need to be adaptable to a changing environment and be willing to embrace and enable creative solutions to the problems raised by the pandemic. This could be anything from relaxing planning rules to allow outdoor seating for hospitality venues to cutting red tape for businesses that seek to diversify.

Public transport

What is the long-term impact of the pandemic likely to be on public transport in towns and cities?

- The UK's largest cities were the hardest hit by the pandemic – particularly London due to its population density and reliance on public transport.
- Regional house price growth over the last 12 month bucked prior trends, where people tended to flock to larger cities. Over the past 12 months the housing market has shown people are voting with their feet and moving to more rural and suburban parts of the UK.
- It is currently unclear how permanent these trends will be. There are already some signs that some shifts appear to be of a durable nature as people seek out residential locations with more space benefiting the suburban or rural parts of the UK. But, if they still work in London, that means longer commutes across transport modes.
- The overwhelming majority of people coming into Central London are reliant on public transport as most of our areas are almost exclusively non-residential, with 95% of employees living outside the area. This means that there is a direct link between the **sustainability of Transport for London (TfL) and the health of the Central London economy.**
- The government's "avoid public transport" messaging during the various lockdowns has damaged people's trust in using it the long term. The levels of concern are already showing in Transport Focus' recent survey, where 41 per cent of respondents said they won't use public transport for any reason until they feel safe. The government needs to change its messaging to start rebuilding confidence and encourage people to resume using public transport.

What action is needed from the UK Government, town and cities leaders, and others to mitigate the risk of any increasing inequalities and how could the UK Government, town and cities leaders, and others use their response to the pandemic to reduce inequalities in public transport?

- In order to recover fully, London needs to see the return of pre-pandemic transport service as well as a long-term settlement for TfL, which should avoid further fare rises and provide a service in keeping with London's place as a modern, global city. This means modernised stations; the opening of the Elizabeth Line on time and without further cost; and investment for London's sustainable future such as improved cycling facilities. HOLBA fully support the recommendations made in London First's [Transport in London](#) report, which advises to **move away from overreliance on fares to a more sustainable funding system.**
- London generates a huge amount of regional employment, and so travel into and out of London is equally important. Well-publicised flexible ticketing options are needed for both visitors and workers, integrated across the entire journey: from outside the capital

all the way into central London, considering both TfL and mainline rail services. This will help visitors to adapt their journeys to new commuting and travel patterns.

- TfL and train operating companies should also adjust their ticketing to reflect the fact that many workers will not be returning to a 5-day commute and this should be subsequently rolled out across the country. Alternative options to season tickets are now needed.
- The return of nocturnal transport is also important – especially in built-up city centres which rely on transport to feed the night-time economy and night-time jobs. There is an important equalities angle to this, as many workers in the night-time economy are lower-paid and more vulnerable.

Summary

Summary points - Body of evidence answering qs.

Employment

- London has been disproportionately affected by the pandemic due to its reliance on visitors. The problems it faces will be shared by other cities and towns that depend on high-volume footfall from tourists and workers.
- It is also the engine driving wealth distribution around the UK, contributing 11% of its output and 19% of England's business rates. London is needed for economic growth and wealth distribution across the UK.
- The pandemic has resulted in significantly drained cash reserves for our businesses, impacting negatively on their ability to hire and retain employees. Conversely, the hospitality sector is suffering from a shortage of talent.
- The greatest inequality created by the pandemic is that between employees in the services sectors and those who can work from home. The Government must provide support to help level this imbalance.

Public transport

- Over the past 12 months the housing market has shown people are moving to more rural and suburban parts of the UK.
- The overwhelming majority of people coming into Central London are reliant on public transport as most of our areas are almost exclusively non-residential, with 95% of employees living outside the area. This means that there is a direct link between the sustainability of Transport for London (TfL) and the health of the Central London economy, and access to good opportunities for all.

Solutions

Below are the key learnings from London as a case study:

Employment

- The government should set out a concrete timeline for the return of office workers and provide a clear and consistent message to help businesses communicate this to employees. The language used should not just be about a return to the office – it should be promoted as a return to doing business, and a boost to creativity and productivity.
- Employees should also be encouraged to make the most of the days they go into the office and experience the other services and attractions the centre of cities and towns have to offer.
- The ecosystems of city centres, which makes them such a draw in normal times, should be protected. Every effort should be made to help viable businesses survive in the recovery period.
- Local leaders need to be adaptable to a changing environment and be willing to embrace and enable creative solutions to the problems raised by the pandemic.

Public transport

- A safe, reliable, and affordable public transport system can only serve to bring back visitors and kickstart economic growth. We should not be thinking about transport as an expenditure, but rather as an investment - without it the whole of London stops working. This means:
 - The return of pre-pandemic transport service
 - A long-term funding settlement for Transport for London
- London generates a huge amount of regional employment, and so travel into and out of London is equally important. Well-publicised flexible ticketing options are needed for both visitors and workers, integrated across the entire journey.

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